The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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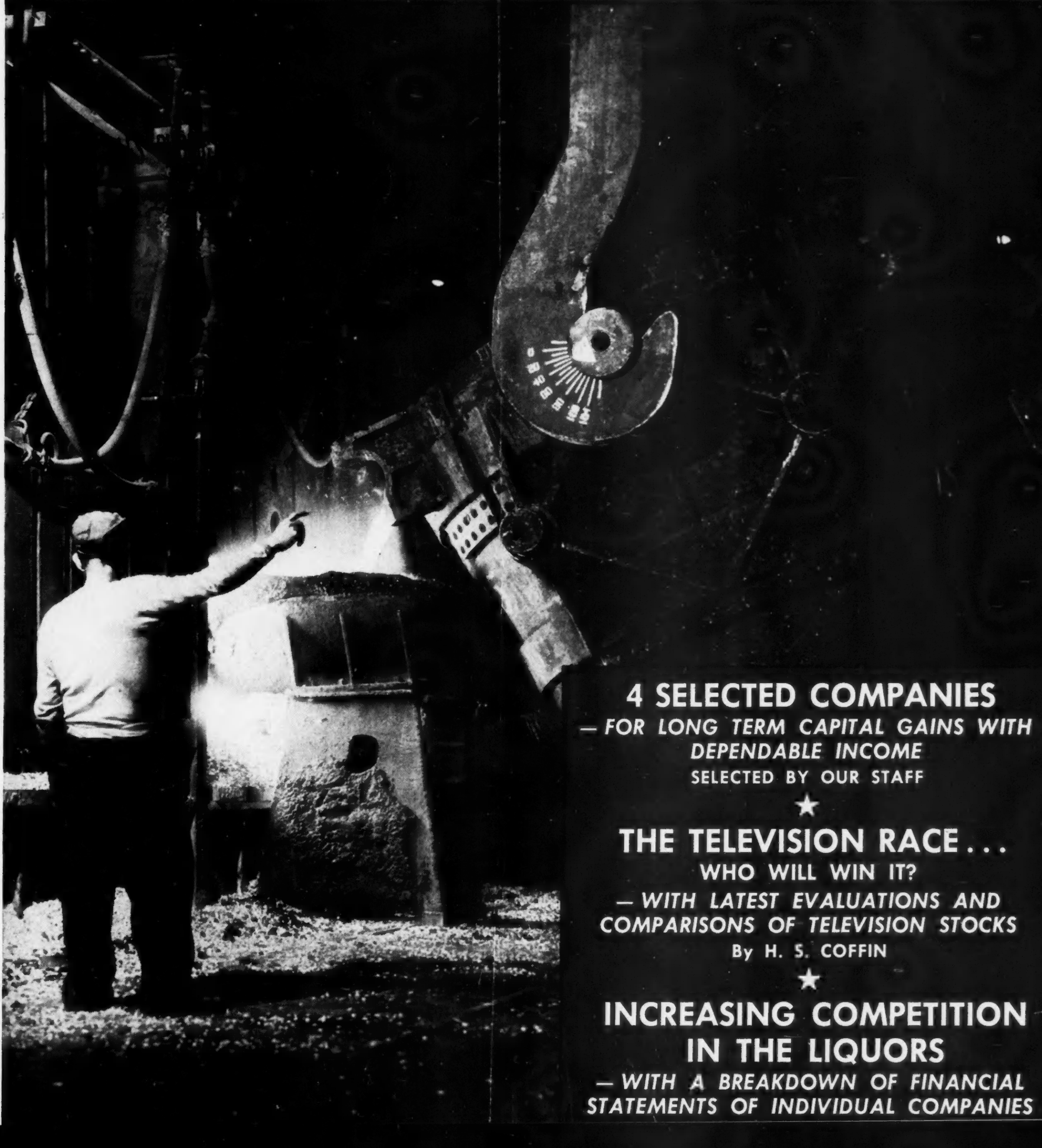

4 SELECTED COMPANIES

— FOR LONG TERM CAPITAL GAINS WITH DEPENDABLE INCOME

SELECTED BY OUR STAFF

★

THE TELEVISION RACE . . .

WHO WILL WIN IT?

— WITH LATEST EVALUATIONS AND COMPARISONS OF TELEVISION STOCKS

By H. S. COFFIN

★

INCREASING COMPETITION IN THE LIQUORS

— WITH A BREAKDOWN OF FINANCIAL STATEMENTS OF INDIVIDUAL COMPANIES

The story of National Steel in 1949

A report to the public and to the customers, employees, and stockholders of one of America's leading producers of steel

We GREW in '49. Though demand for steel—and our production, shipments and total sales—fell slightly behind the all-time high of the previous year, National Steel took great forward strides in 1949. New facilities were completed—to make possible even greater steel production. New employee-benefit programs were added. Greater protection for future steel production was procured—through realistic financial provision for the replacement of facilities as required in years to come.

Our Customers are assured of even better service than in the past. The production capacity of National Steel was increased by 300,000 tons in '49. The building of a new open hearth furnace and the rebuilding of two others gave National Steel the world's three largest furnaces—helped lift the total ingot capacity of our plants to 4,500,000 tons per year.

Our Employees benefited in '49, even though short work-weeks at the coal mines and strikes in coal and steel interfered with a normal year's operation. Total payrolls for the year were $107,843,848. An expanded program of pensions and group insurance increases the financial security of employees and their families.

Our Stockholders shared in the good earnings of 1949 through dividends and through the protection given their investment by further strengthening of our company's financial and competitive position. Net earnings for the year were $16.02 per share, of which $5.50 per share was paid in dividends and the balance was retained in the business. Net earnings were after all usual charges, and provisions for special contingencies and accelerated depreciation—related to cost of replacing facilities at today's high costs.

National Steel recognizes that its primary obligation to the public is to do its share toward supplying the country's maximum requirement for steel at all times—and with high quality products that are fair in price. The results of 1949 have increased our ability to meet that obligation.

HIGHLIGHTS OF 1949

	1949	*1948*
Net sales	$424,892,845	$436,522,051
Net earnings	39,311,269	40,121,506
Net earnings per share	$16 02	$16.35
Materials, services and other expenses	213,795,520	230,101,169
Depreciation and depletion	25,021,857	21,506,270
Total payrolls	107,843,848	110,709,056
Total dividends paid	13,481,585	11,154,085
Total taxes	43,571,827	39,148,113

National's tax bill shows clearly the large amount of business income that is now diverted to the tax collector. In 1949, the tax bill was more than three times as large as the amount paid in dividends to stockholders, and 41.5% of the total amount paid to employees—an average of $1,554 for each of 28,043 employees.

NATIONAL STEEL CORPORATION

Owning and Operating

WEIRTON STEEL COMPANY • GREAT LAKES STEEL CORPORATION
THE HANNA FURNACE CORPORATION • HANNA IRON ORE COMPANY
NATIONAL STEEL PRODUCTS CO. • NATIONAL MINES CORPORATION

NATIONAL STEEL

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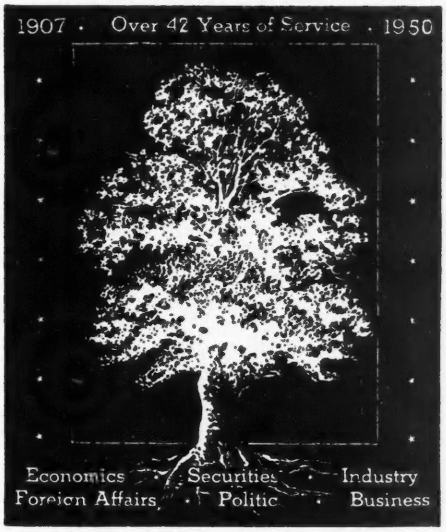
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. A. KRAUSS, *Managing Editor* ARTHUR G. GAINES, *Associate Editor*



The Trend of Events

THE OLD PATTERN . . . Indefinite cancellation of the nationwide telephone strike and the two-week postponement of the strike against four of the nation's key railroads was welcome news but one must not forget that the threat of these strikes has not been removed but merely postponed. If one adds to this the fact that the Chrysler strike has been going on for over three months, that the labor situation at General Motors may soon explode into another serious contest, and that even the steel industry may again be faced with labor trouble this fall, one finds little cause for complacency over the labor outlook. It becomes obvious that organized labor is fully aware that the administration needs its political support this year, and is determined to make the most of it.

The present trend is dangerous enough. Despite constant lip-service paid to genuine collective bargaining by union and Administration spokesmen, there is far too great a willingness on their part to ignore established bargaining procedures and to rely on political pressure through so-called fact finding or arbitration methods. Thus in the telephone case, the union pressed for arbitration long before collective bargaining had been given a fair trial. In the railroad case, the locomotive firemen simply brushed aside the Railway Labor Act, obviously betting on Administration willingness to do everything do aid their cause. In the light of this, their readiness to agree to a last-minute postponement assumes a somewhat different color.

Certainly the Government's mediators should exert no pressure on railway managements to buy off the strike by yielding to the union's demands which are widely recognized as being without merit and merely a blatant attempt at further feather-bedding. Far better would it be for the Administration to make it plain that it has no intention to make the Railway Labor Act a feeble joke by promoting, encouraging or approving any settlement contrary to the earlier recommendations of its own fact-finding boards.

Similarly, the Bell System has made out a strong *prima facie* case which on basis of fairness and logic is difficult to upset, hence the union's resort to Government arbitration. Certainly the public would welcome any additional light that such procedure can shed on the merits of the controversy. But it can also be said that public confidence in fact-finding boards has been distinctly impaired since the recent Steel Board went out of its way to foist costly private pension plans on American industry. While the public wants facts, it doesn't want "patterns." Yet the pattern is always the same—and far from a pleasant one.

From an economic standpoint, even the threat of strikes is highly unsettling, for it causes artificial boosts in demand and pressure for speeded-up shipments. As we know, the erratic swings in industrial activity since last summer were largely due to strike factors and there is no way of telling to what extent current high level activity reflects pre- and post-strike influences.

But quite apart from that, we have learned that the terms of strike settlements more often than not may be worse

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's market, don't miss it!

for the country as a whole than temporary disruption of business. We have learned the hard way that strike settlements which involve increased operating costs have a way of pyramiding and increasing costs in a much wider area than that of the particular company or industry directly involved. While that goes on, there can be no real adjustment of the economy, badly needed as it is, but merely continued maladjustment, upsets and uncertainty. In the end, no one will profit from that.

LOOKING AT STEEL . . . A great deal of political eloquence has been pouring out of Washington in recent years in respect to corporate bigness and monopolistic tendencies. It is perhaps no coincidence that the process is resumed at this time; after all, it's an election year and hitting at bigness in business can always be counted upon to strike a responsive chord among certain voter groups. Besides, bigness in business has long been a favorite whippingboy of certain planners with leftist tendencies.

Point of interest at present is the investigation of the steel industry conducted by the House Judiciary Sub-committee on the Study of Monopoly Power. The aim is to substantiate, if possible, the oft-proclaimed thesis that companies should be broken into bits and parts if they have grown in size and power to a point where they substantially lessen competition within an industry or tend to create a monopoly.

But to prove that they have arrived at such a point in the steel industry is hardly an easy thing. For the steel companies, like most others, have grown with a national economy that has expanded threefold on a dollar basis. Yet the largest units have actually slipped backward in relative importance within the industry. To the problems posed by this phase must be added many others, such as the need for finding and utilizing new ore supplies which only large aggregates can handle properly. This is a most important point on which one can agree with President Fairless of United States Steel Corporation that it is fortunate for the country and for the many smaller steel companies that there are larger concerns in the steel industry which are willing and capable of taking the necessary steps to assure an adequate iron ore supply for this country. For assuring such a supply is a big production and cost problem, far beyond the ability of smaller companies to handle.

As to the allegation of monopoly, it is interesting to note that the percentage of steel capacity represented by the three largest steel companies declined from 58% in 1939 to 56.3% in 1949. The largest producer, U. S. Steel Corporation, now produces about one-third of the country's steel output, as against two-thirds when the company was established back in 1901. In the past eighteen years, the corporation's competitors have grown 23 times as fast as the corporation itself.

The examining committee is laying great stress on what it calls the uniformity of price increases under the leadership of the largest producer, but both the uniformity and the leadership have been exaggerated. Even if complete price uniformity existed, it would be no proof of lack of competition. When one company in a competitive industry establishes a price for a product, its competitors must, generally speaking, meet that price. When price changes occur, they tend to be general for the simple reason that competition must be met, or because cost factors affect all competitors in a similar way. This is so in virtually every industry; it is difficult to see why it should not be so in the steel industry.

No true believer in free enterprise can quarrel with an honest and intelligently directed effort to preserve competition, for competition is indispensable to free enterprise. The antitrust laws are based on that premise and they should be enforced. If they are not strong enough, they should be strengthened. But an impartial inquiry is one thing, and a witch hunt another, just as proof of allegations is one thing, and mere assumption—the main basis of the committee's contentions—another.

By and large, representatives of the steel industry have presented an exceptionally strong case at recent hearings. It remains up to the committee to dig up real proof of their contention that competition in the steel industry is inadequate. Barring such proof, they will convince no one.

WHAT NEXT? . . . There are many signs of widespread agreement, even in Washington, that the problem of Europe's trade balance and consequently of its solvency will not be solved by the Marshall Plan alone but will require the joint efforts of the United States and Europe long after that plan ends. Add to this the requirements of the Atlantic Pact defense plan, acknowledged to be beyond the resources of our Western European partners, and it becomes plain that the ultimate answer to this problem will be chiefly written with dollar bills.

It would go too far to say that the Marshall Plan has solved nothing. It has, in fact, contributed enormously to European recovery and will continue so during its remaining life. But it has not solved the basic problem which it was hoped it could cure.

The European Recovery Program, as well as other types of foreign assistance extended in recent years by the United States, took the specific form of financing directly the dollar deficit of the recipient countries. But while some progress has been made in this direction, dollar deficits persist, and will continue to persist, due to a variety of causes—with the intensity and ramifications of the East-West struggle probably taking a leading place.

The hope for an expanded and stable world trade lies in the re-establishment of a system under which the industrial countries of Western Europe and the primary producing areas of the rest of the world may cooperate, not through bilateral arrangements since these will never balance trade, but on freer and more competitive bases in exchanging their products and developing their resources.

This country has brought great sacrifices to help achieve that end, though European cooperation was not always what it might have been. Fundamentally, however, re-establishment of sound and traditional trade relations has run up against the road block erected by the "two-worlds" concept forced upon the globe by Russian actions and intransigeance. The prospect is that this concept will necessitate further and far-reaching realignments of world trade relations. If so, balance of payment problems will stay with us for a long time.

As I See It!

BY CHARLES BENEDICT

WITH RUSSIA OUT OF THE U.N.

Nothing pleased me more than Mr. Hoover's forthright demand for reorganization of the United Nations, which I have been advocating for so long —only recently again in our issue of March 25.

I now have hope that something may be done about it, not only to remove the frustrating effect of the veto which has hamstrung every effort towards peace, world reconstruction and economic rehabilitation, but because if we permit the United Nations to continue in its present form, we are bound to lose the "cold war."

As the United Nations is constituted today, the world gets the impression that the United States is helpless before Russian aggression, and weak peoples everywhere believe it is the better part of wisdom to submit and take their chances with Russia rather than run the risk of swift, brutal retaliation that the Soviets could mete out to any country that defied her. In other words, a helpless, gagged and frustrated United Nations is no asset to us in our fight against the Red imperialism.

Reorganization of the United Nations without the communists would unquestionably be a blow to Soviet prestige and to Russian ability to obstruct the road to peace by methods short of war, and it is to be doubted whether she would resort to war to offset this blow. There are those who avow that excluding the communist East would mean accentuation of existing differences, that it would wipe out the only existing opportunity for their settlement, that in fact it would dangerously widen the East-West cleavage.

It would perhaps do the latter, but then it would merely recognize a situation that already exists. For not only has Russia in the past shown no willingness to reconcile differences and cooperate, but she has made it a point to persist in constant violation of the provisions of the U.N. charter, clearly evidence that she has not the slightest intention to make the United Nations a "preservative of goodwill and peace." Her only purpose has been to use it strictly for her own disruptive aims, as a forum for communist propaganda and a tool for spreading hatred and ill will.

In the circumstances, there is little point in trying to maintain and further strengthen the U.N. in its present form because even today, thanks to the Soviet attitude, it has ceased to be a workable bridge between the two hostile camps on either side of the chasm. Russia, manifestly, is out to defeat the majority will of the member nations on almost every vital issue. Since through the technique of veto and boycott she has only too often been successful at this game, it would be foolish to let her continue it. That way the U.N. will never become the kind of world organization it was supposed to be. In our struggle against Red imperialism, it has more and more become a liability.

"SOMEWHERE BACK THEY LOST KARL MARX"

With Apologies to Dowling in the N. Y. Herald-Tribune

As Mr. Hoover correctly stated, what the world needs today is a definite, concrete mobilization of the nations willing to side against Soviet aggression, and such a mobilization can hardly be achieved within the United Nations for obvious reasons. Far better then, to reorganize that body under exclusion of Russia and her satellites; or barring this, to create a new United Front of those peoples who disavow communism, and to redeem the concept of the United Nations to the high purpose for which it was created. For such a phalanx of free nations would doubtless come far nearer to making a workable relation with the other half of the two worlds than the United Nations can ever do alone.

Actually, the free nations are already drawing together in something of a United Front, the direct outcome of Russia's heightened belligerence. The realization that free men must stand together is rapidly becoming more widespread, as is the awareness that free peoples (*Please turn to page* 178)

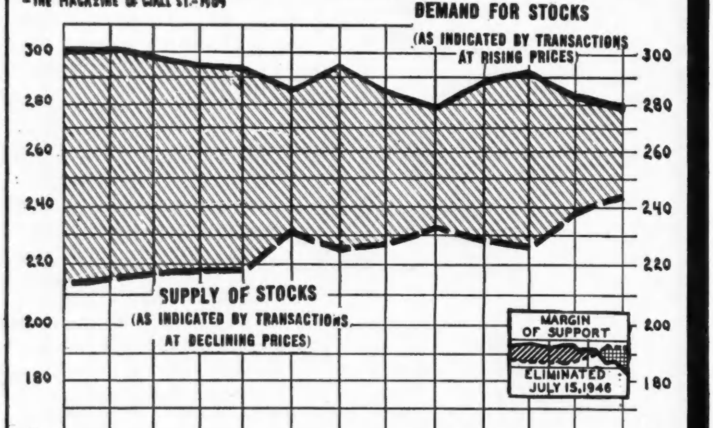
Realities of Market Action vs. Dow Averages

The market has advanced moderately further over the last fortnight, with investment enthusiasm somewhat reduced, speculative activity increased. Typical issues are now faring better than the Dow industrial average, reversing previous tendencies. Business hopes are rising. We continue to recommend a selective investment policy.

By A. T. MILLER

Public interest in the stock market has been increasing. You see it reflected in the relatively heavy volume of transactions. Thus, share turnover in April was the largest for any month since January, 1946; and the largest for April since 1933. You see it also in a considerable, although not yet extreme, shift in the quality of leadership of the main advance, now in its eleventh month. There is a somewhat less aggressive demand for good-grade "income stocks," even though average yields thereon are still fairly high; a more aggressive demand for secondary and speculative stocks, which remains more selective than general so far. This is a more or less typical sequence. Investment demand, attracted by values, is the initial backbone of a market uptrend, but becomes less enthusiastic at advanced levels. On the other hand, it is the spectacle of rising prices, not values, which finally begins to generate speculative demand. So far as we can see, this is not yet at a stage involving any serious excess, as measured by margin trading or the position of low-priced stocks, on an average, in their long-term range.

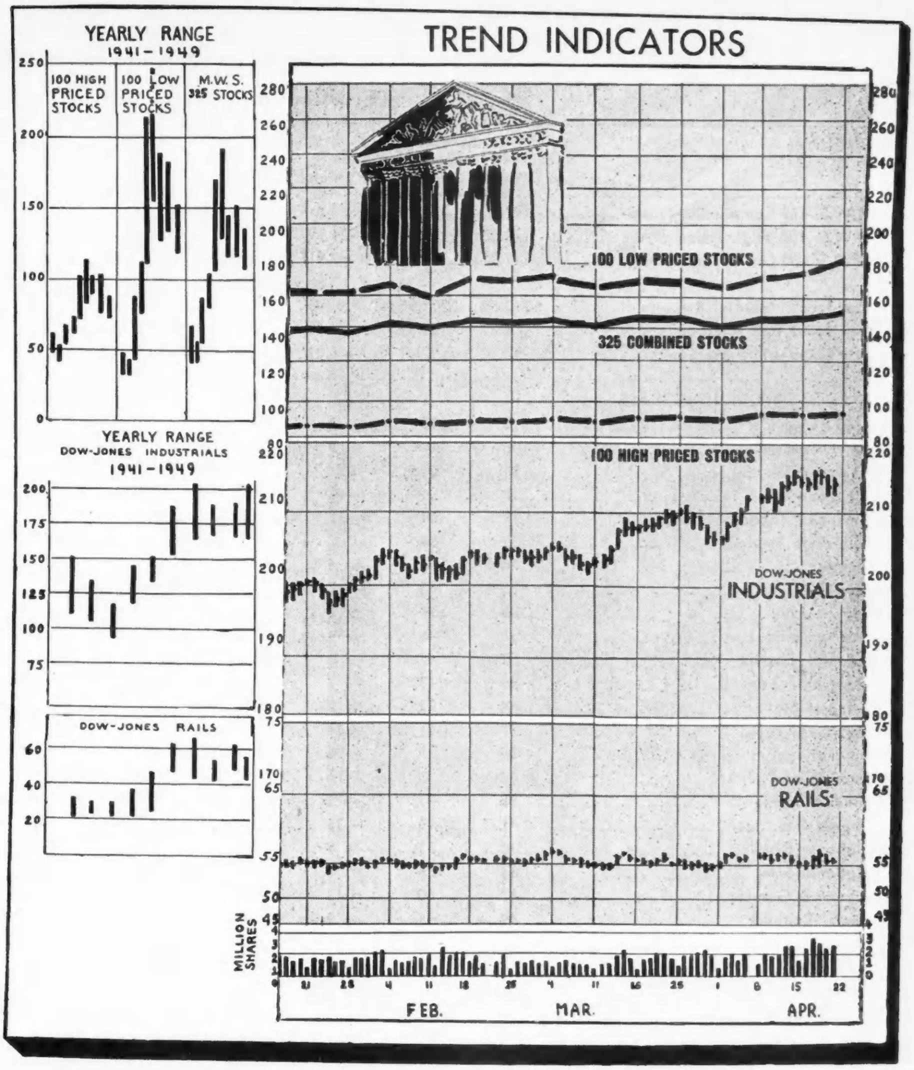
The Dow-Jones industrial average had a small net advance for April as a whole, but none for the last fortnight. The high to date was made April 14 at 215.31, which was roughly 1.3% over the 1946 bull-market top. This was followed by a minor corrective sell-off running through Wednesday, April 26, which was followed in turn by renewed strength toward the close of last week, aided by optimistic reports from the steel industry and a boosted Bethlehem Steel dividend. The average is back, as this is written, to half a point above its previous high, in another upside test. The Dow rail average has done little more than "make a line" for some months, and shows no recent net change of significance. On the other hand the utility average has been in a mild reactionary trend since mid-March, or for about six weeks. This is in line with the qualitative shift on the demand side of the market, cited earlier in this analysis. Typical operating utilities have interest chiefly for income-investors — and necessarily less thereof after an advance of over 34% from their 1947-1949 trading-range low, which was seen late in 1948.



What the Market Is Doing

We have pointed out before that the Dow averages are not the stock market; that the Dow industrial average in particular is a very small segment of the market, heavily loaded with "Blue Chips"; and that in bettering its 1946 high it has been very far in advance of the general list. It has for some time seemed probable that, given a continuation of upward tendencies, market leadership would be assumed by broad price indexes, with the Dow average tagging along, if not lagging. This is now evident. Thus, over the last fortnight, "the market" was indecisive, according to observers who watch "the Dow." But the actual market extended its rise into new high ground.

The Magazine of Wall Street's weekly index of 325 stocks rose 4.9 points in this period to 150.1, the best level since 1948's recovery high of 151.9. A further rise of nearly 28% would be required for it to equal the 1946 high. The index of 100 Low-Priced stocks rose 10.3 points on the fortnight to 183.25, slightly surpassing the 1948 high of 182.86. For it to equal its 1946 high of 247.97 would require an additional rise of more than 35%. Like the Dow industrials, the index of 100 High-Priced stocks was only slightly changed over the period under review. It stands a hair above its 1948 high, but nearly 19% under its 1946 top. In greater detail, the special tabulation presented herewith shows what the market has been doing, how widely individual stock action differed from the Dow Averages. (*See page* 132.)



Among business men, Government officials and Government and private economists, there is less concern about the late months of the year than was so around the start of 1950, which means, of course, some lifting of sights on full-year potentials, as regards volume, prices, earnings and dividends. The wisdom and vision of these optimists are probably no better now than they were four months ago. The difference is that they have now seen additional months of good business, and enough in the new-orders picture to assure satisfactory activity at least into the third quarter. That results in an almost automatic boosting of full-year "projections," which were generally conservative and qualified at the start. Moreover, with business still good, "uncertainty" about the second half naturally seems to lessen, the closer we draw to mid-year.

In the immediate business scene the strong points certainly dominate. The demand for automobiles remains around peak levels; and the boom in residential building has become "boomier." These two industries, importantly affecting a number of others, are pretty much the story of good business. When either recedes, over-all industrial production, now edging up to within 5% or so of the late 1948 post-war peak, will recede. There is no boom in any soft goods lines. Despite the fact that housing is being thrown up at a phenomenal rate, and that an over-supply of rental units might be "discovered" before long, it is conceivable that there will be no other than seasonal let-down in total building activity before 1951. On the other hand, it would not seem conservative to count on continuation of the recent large year-to-year gains in auto sales.

Steel operations are around the capacity level. Prices of most of the non-ferrous metals, and of some finished goods here and there, have been marked up, bringing some renewed conjecture about inflation. We believe the latter is premature at the least despite the Government's deficit spending, since the country is back to competition and there is little prospect of shortages anywhere. The slow sag in exports probably will go further. The decline in business outlays for new plant and equipment seems to have flattened out, but there is little chance for an uptrend.

The Question of Values

On an average, "quality" stocks are in historically high ground, since they are above all levels seen since 1929 or early 1930. However, the general list could be called only medium-high in its long-term range; and in relation to earnings and dividends it could be called medium- (*Please turn to page* 180)

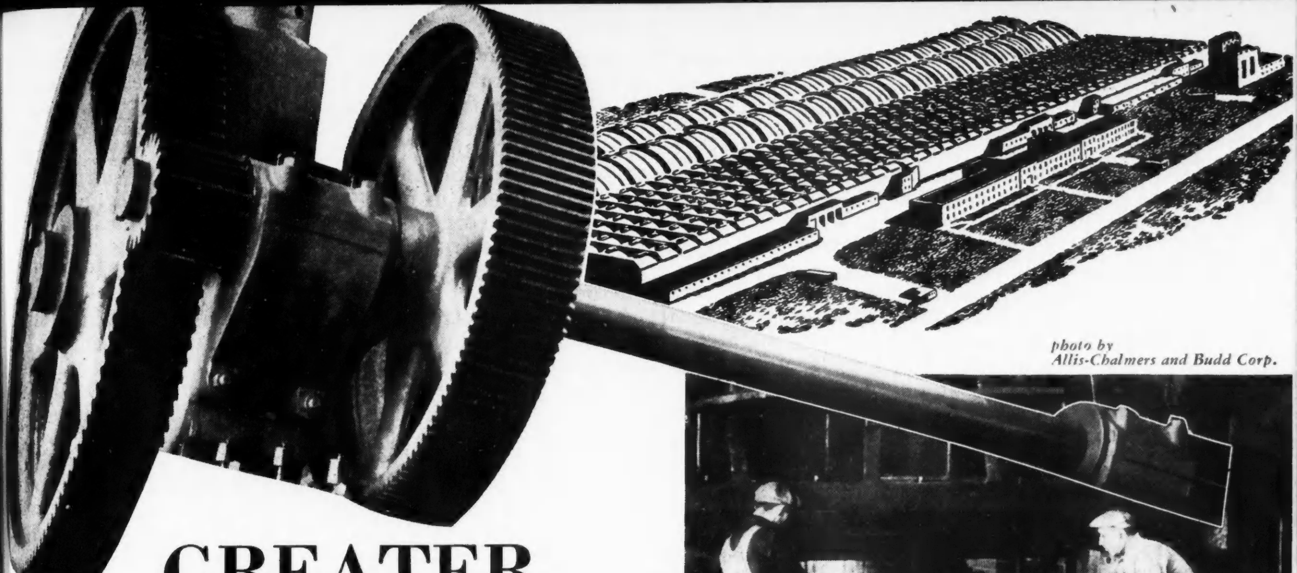
HOW STOCKS STAND IN RELATION TO 1946 HIGHS*

(Fractions omitted)

	1946 High	Recent Price (April 25, 1950)	Change (in points)
M.W.S. 325 Combined Average	191.7	148.1	—43.6
M.W.S. 100 High Priced Stocks	112.55	91.16	—21.39
M.W.S. 100 Low Priced Stocks	237.97	180.06	—67.91
Dow Jones Industrial Average	212.50	212.55	+ .05
Dow Jones Rail Average	68.31	54.89	—13.42
Dow Jones Utility Average	43.74	42.67	— 1.07
30 DOW JONES INDUSTRIALS			
Allied Chemical	212	235	+23
American Can	106	119	+13
American Smelting	73	52	—21
American Tel. & Tel.	200	154	—46
American Tobacco	99	68	—31
Bethlehem Steel	38	38	......
Chrysler	70	66	— 4
Corn Products	75	68	— 7
DuPont	56	71	+15
Eastman Kodak	50	46	— 4
General Electric	52	47	— 5
General Foods	56	49	— 7
General Motors	80	82	+ 2
Goodyear Tire	77	51	—26
International Harvester	34	26	— 8
International Nickel	42	26	—16
Johns-Manville	55	47	— 8
Loew's, Inc.	41	16	—25
National Distillers	32	23	— 9
National Steel	33	36	+ 3
Procter & Gamble	47	60	+13
Sears, Roebuck	49	44	— 5
Standard Oil (Cal.)	59	64	+ 5
Standard Oil (N. J.)	78	70	— 8
Texas Company	68	64	— 4
Union Carbide & Carbon	41	46	+ 5
United Aircraft	37	29	— 8
U. S. Steel	32	33	+ 1
Westinghouse Electric	39	34	— 5
Woolworth	62	49	—13
Abbott Laboratories	45	46	+ 1
Admiral Corp.	10	37	+27
Air Reduction	59	22	—37
Allied Stores	63	33	—30
American Airlines	19	11	— 8
American Cyanamid	60	69	+ 9
American Gas & Electric	49	52	+ 3
American Machine & Foundry	45	14	—31
American Woolen	70	22	—48
Anaconda Copper	51	29	—22
Armour & Co.	18	10	— 8
Atchison, Topeka & Santa Fe	121	112	— 9
Best & Co.	52	26	—26
Boeing Airplane	35	30	— 5
Burlington Mills	26	19	— 7
Cannon Mills	73	45	—28
Celanese Corp.	23	32	+ 9
Chesapeake & Ohio	66	28	—38
Cities Service	41	72	+31
Champion Paper & Fabric	25	33	+ 8

	1946 High	Recent Price (April 25, 1950)	Change (in points)
Cluett Peabody	60	23	—37
Commonwealth Edison	36	31	— 5
Consolidated Edison	36	31	— 5
Distillers Corp.-Seagrams	30	21	— 9
Doehler Jarvis	37	33	— 4
Dome Mines	29	15	—14
Douglas Aircraft	108	79	—29
Electric Auto-Lite	80	43	—37
First National Stores	70	72	+ 2
Freeport Sulphur	61	66	+ 5
General Railway Signal	48	21	—27
Great Northern Ry. Pfd.	64	40	—24
Hershey Chocolate	35	42	+ 7
Heyden Chemical	45	14	—31
Hudson Bay Mining & Smelting	45	39	— 6
Hudson Motor	34	15	—19
Illinois Central	45	38	— 7
International Paper	27	40	+13
International Tel. & Tel.	31	14	—17
Joy Mfg.	34	28	— 6
Kennecott Copper	60	52	— 8
Lion Oil	12	32	+20
Lorillard (P.) Co.	31	26	— 5
Mack Truck	38	14	—24
May Department Stores	70	47	—23
Minnesota Mining & Manufacturing	60	105	+45
Montgomery Ward	104	55	—49
National Lead	40	41	+ 1
New York Central	35	14	—21
Northern Natural Gas	29	36	+ 7
Northwest Airlines	56	10	—46
Otis Elevator	39	38	— 1
Pacific Lighting	67	54	—13
Pacific Mills	48	29	—19
Pennsylvania R. R.	47	17	—30
Phelps Dodge	48	46	— 2
Philco Corp.	47	51	+ 4
Pittsburgh Consolidation Coal	26	24	— 2
Pullman Co.	69	36	—33
Radio Corp. of America	19	21	+ 2
Radio-Keith-Orpheum	28	8	—20
Republic Steel	40	29	—11
Schenley Industries	100	33	—67
Scott Paper	61	85	+24
Sharp & Dohme	39	42	+ 3
Simmons Co.	56	29	—27
Skelly Oil	68	113	+45
Southern California Edison	39	35	— 4
Southern Natural Gas	30	38	+ 8
Southern Pacific	70	52	—18
Southern Railway	65	35	—30
Sperry Corp.	40	28	—12
Standard Brands	55	23	—32
Studebaker	38	32	— 8
Swift & Co.	41	36	— 5
Twentieth Century-Fox	63	21	—42
United Air Lines	54	17	—37
Vick Chemical	51	26	—25
Warner Bros.	23	14	— 9
Western Union	53	27	—26

*—Adjusted for stock splits and other capitalization changes.



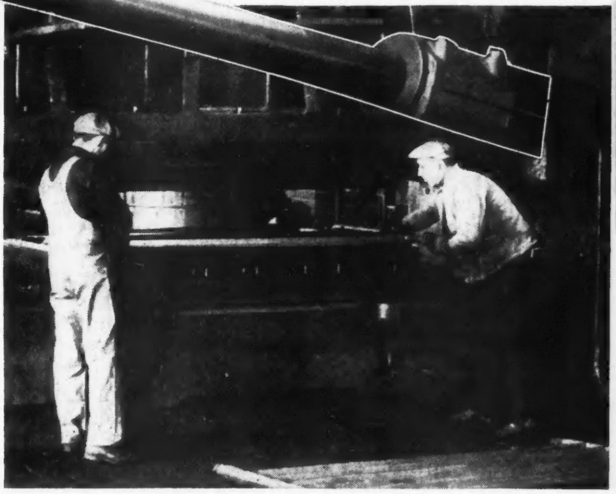


photo by Allis-Chalmers and Budd Corp.

GREATER PRODUCTIVITY

—From Modernization
—From Expansion

By E. A. KRAUSS

With the flattening out of the postwar boom and the return of real competition, industry had to face three important facts. One was that compared with prewar, wages had more than doubled. The other, that costs of manufactured goods had more than doubled. And the third, by no means the least important, was that industrial capacity had been greatly increased. Together, these facts led to one conclusion: If industrial operations are to continue on a profitable basis, a high volume of production must be maintained. And in order to maintain it, cost-price relationships are of paramount importance.

Early in postwar, demand generally exceeded production, as we well remember. Costs were high, but so was earning power, and there was usually a reassuring backlog of unfilled needs. But as backlogs faded and output had to be brought into balance with current needs, maintenance of the required volume naturally depended on the preservation of an adequate margin between income and basic expenditures. If no such margin could be achieved, trouble developed and the result usually was reduced rather than enlarged production.

High productivity is the soundest way of insuring this margin; it makes possible low prices, adequate volume and high profits. Industry has always been aware of this, hence it has prepared against the day of the return to more normal business by large scale expansion, modernization and improvements which now begin to bear real fruit.

More than ever, industry needs a higher output per labor hour of machine and man because it is the only way which can make wage and profit increases possible without price increases. This need for optimum utilization of labor and machine is fully recognized. In order to achieve it, large investments were made far in advance, and action along this line will doubtless continue—must continue, as competition sharpens—to keep operations competitive and maintain satisfactory profit margins.

What business men have long been praying for is now happening: Productivity is on the rise after a pronounced war-time lag which severely interrupted the long term uptrend. Before the war, productivity increased at an annual rate of close to 3% and this brought amazing advances in our real wealth and in general standards of living. Necessarily, the uptrend is relatively slow.

Post-War Trends

There was retrogression during the war due to the change-over to new products and employment of inexperienced workers, and because of general emphasis on all-out production rather than efficiency. Even during and after postwar reconversion, productivity frequently fell back below prewar levels and only last year proved that the uptrend in output per worker has been definitely resumed.

This proof was rather striking. Gross national product in 1949 came to about $259 billion and adjusted for price differences, that was virtually the same as in 1948. But last year, it required 3% fewer workers to produce it. That's how we know that productivity is on the increase, and according to most opinions, the trend reversal is not so much due to the worker but largely the result of more and better machinery, organization and engineering skill.

Huge sums spent in postwar for new plant and equipment were a primary factor. New designs and

better operating methods have also helped greatly. Some companies achieved significant cost reductions by turning over to industrial engineers the problem of maximum utilization of men and machines. And a somewhat looser labor market further helped no doubt in that it permitted greater selectivity in the choice of workers, made for less absenteeism and labor turnover, and far improved plant morale.

The drive to trim expenses keeps pushing mechanization in many lines and the concensus is that productivity will keep on improving this year and next, and probably beyond. It will have to, if the long term upward trend of productivity is to be maintained. It will have to, also, if inflationary factors are to be minimized and living standards are to rise further. It will have to, finally, if recession and mass unemployment is to be avoided by providing more goods at lower prices and thereby broadening markets.

Productivity Gains Do Not Just Happen

In short, further productivity gains are a necessity for economic stability and growth, but such gains will not just "happen" despite the fact that our economy today looms larger in its potentialities than ever before. Our managerial and working skills are greater, our factories and farms are better equipped, and there is every indication that the pace of our technological advance will be maintained. Nevertheless it will take real efforts and cooperation to keep the productivity curve headed upwards, and every incentive should be provided to make it possible. This applies equally to management, labor and Government.

Management will have to step up its efficiency, just as the worker should, by introducing new product designs, better factory layouts and operating methods. Government policy should work in behalf rather than against further technological progress in industry. In its own interest, labor should neither resist, as it sometimes does, the utilization of new equipment that tends to increase efficiency and productivity, nor should it claim all the resultant benefits in the form of higher wage rates. A part at least must accrue to management in form of higher profits, and another part to the consumer in terms of lower product prices. Unless the fruits of mechanization are thus distributed, any effort to hog them selfishly will be self-defeating.

photo by Continental Oil Co.
Greater Productivity is a necessity for economic stability and growth, but progress in that direction won't just happen. It will take real efforts and cooperation to keep the productivity curve headed upwards.

For unless management, too, profits, it will have no incentive to invest in additional equipment or improve production techniques. And unless the broad public profits from lower prices, there will not be adequate markets to maintain high-level production and employment.

This argument is all the more valid since the biggest cause of the latest gain in productivity is capital spending by business itself, that is higher output of the machine rather than greater efficiency and application of the individual worker. Those furnishing the machines, that is business and the stockholders, therefore should not be left out when the productivity pie is cut.

As to Government policy, valuable contributions toward greater productivity can be made by a more encouraging attitude towards business, by realistic tax and depreciation policies that encourage capital outlays for modernization and the investment of venture capital. This should find reflection in policies towards business as well as towards investors and stockholders.

The latter's interest in rising productivity is by no means academic since it signifies, above all, greater earnings and dividend stability, and less vulnerability in recessive periods. One of the outstanding advantages of the latest productivity gain has been a marked lowering of break-even points in many industries, a highly desirable development that will take a good deal of the sting out of any downtrend of production and sales volume.

Higher Profits From Lower Sales

In some instances, as revealed by 1949 company reports, operating efficiency has been stepped up to the extent where higher profits resulted from lower sales, compard with the preceding year. Such a basic strengthening is of course the goal of every management though it can hardly be achieved in every industry, or by every company. But it shows what can be done under optimum conditions.

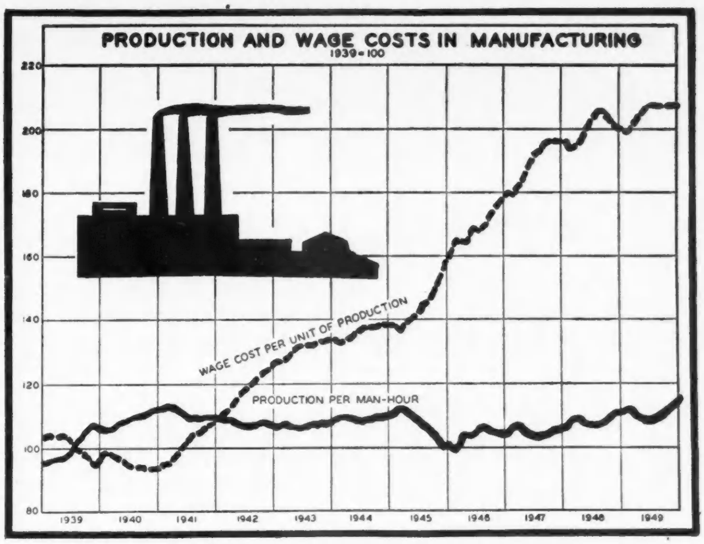
Thus there have been instances, where despite 10% fewer workers on the plant force, output has risen by a similar percentage. Others report a cut in labor costs of as much as 15%, solely due to installation of new machinery, and such a cut is no small potatoes in these days of high wage rates. Still others were able to maintain unit labor costs despite the doubling of the base rate in workers' pay.

Improvements of this sort can probably be found in many industries but they are encountered most frequently where the need is most compelling, that is, where sales come hardest and competition is keenest, such as in the textile industry, in appliances, but also in the steel and automobile industries.

In steel, for instance, modernization and new processes have brought significant gains of output per man with the result that steel employment has been drop-

ping some 8% despite a sustained high level of production. Much the same is true of automobile manufacturers where every retooling and model change-over is accompanied by strenuous cost-cutting efforts. Here, too, employment is down from last year's despite the terrific production pace set in recent months.

In fact, the campaign for efficiency shows up everywhere, in industry, in agriculture, in stores and offices. Frequently one new machine does the work formerly requiring four, and this explains the sharp rise in machine tool and machinery orders in recent months. It is a most significant development, for it reflects what's going on in manufacturing plants throughout the country. Thus machine tool orders in March were the largest since June 1946. This would seem to indicate not only that industries are planning for big production and sales, but for more efficient production above all to meet competition and price requirements. But it also means that reluctant labor must be convinced of the desirability of such new installations.



Packard Motor Company, for instance, found that one operator could run seven new automatic screw machines in their plant, but thus far the company has been unable to negotiate with the union or arrive at an agreement whereby one operator will run more than four machines. For Packard, the cost saving involved would no doubt be highly worthwhile but the aim of the union is to protect existing jobs.

While one can sympathize with this aim, it is also clear that it would work against progress. Temporary technological unemployment is bound to ensue in a period of rising efficiency, but if past history is any guide, mechanization in the end will open up more employment opportunities than it cancels out.

The rise in productivity has been particularly striking in agriculture where output per worker has gained tremendously under the impact of widespread mechanization, increasing use of fertilizer and insecticides, and improved breeding of plants and animals. As a result, though farm employment has been dropping since 1947, production is as high as ever and could make further gains without interrupting the downtrend in farm employment.

In the retail field, stores have been spending heavily on equipment to cut handling and labor costs, and selling expenses are being lowered by increasing resort to self-service arrangement. In offices, progressive installation of time and labor saving office equipment is cutting down office payrolls. The urge to cut costs is universal, necessitated by competition, consumer insistence on lower prices, and the need to maintain markets. Everywhere, mechanization is the order of the day.

Future Potentials

It is a sound trend, as explained at the outset. It has been estimated that American industry today, operating with existing facilities, can improve its utilization of manpower by up to 20%, and there may be substantial opportunities to do even better. Think what it would mean if such gains could be realized, particularly in view of our frozen wage structure, high materials costs and mounting pension demands which leave little leeway on the cost front as such.

If we ever are to get product prices down and sales further up, output per man hour must go up. We must remember, in this connection, that although such output is now higher than in prewar, the rise still has been far less than that of wage costs per unit of production. Productivity, in short, still has much to catch up with.

If it rises further, as it likely will, it is bound to have far-reaching implications. By making possible lower prices, it will broaden markets and thereby production and employment. It will take out some of the inelasticity in our present-day wage structure and ultimately open the way to still higher wages and living standards. But this presupposes sane labor policies now. There is a close connection between unit labor costs and prices on the one hand, and output per man hour and *real* wages. If unit labor costs go up, prices cannot stay down; and *real* wages can only rise through more production per worker.

Productivity Holds Key to Economic Progress

Productivity, in short, holds the key to future economic progress. Even today, there are indications that industry under normal conditions can produce more than consumers can pay for, or are willing to pay for, at *current* prices. Thanks to rising productivity, it has been possible of late to cut prices in many lines and markets have responded vigorously to this stimulant as witness the strong revival in sales of household appliances, television sets, etc.

But to make for a properly balanced and growing economy, the process has to go a good deal further. This is widely realized. There are few companies of importance which have not turned their earnest attention to this, not alone from the standpoint of sales but of satisfactory profit margins as well. To them, the latter is no less important than the former. The same applies to the equity investor. For what good is high volume, if profits and dividends are lagging.

All the more will stock investors be interested in signs of rising production efficiency. It is reassuring to hear managements express confidence that though volume may decline, profits may hold close to previous levels as did, for instance, Allis Chalmers Manufacturing Company which (*Please turn to page* 175)

STOCKHOLDER and WORKER PARTNERSHIP

By
WARD GATES

The American corporation comprises a community of interests which is unique in many ways because it embraces such diverse groups as management, labor, stockholders and Government. Unfortunately some of these groups do not always view their role in the light of a partnership as indeed it is, and in proper relation to their contributions to this partnership. Quite often they look at corporate business as something that must be fought or exploited rather than cooperated with in the interest of all. And in this contest, the stockholder usually gets the short end regardless of the fact that without the stockholder, there would be no corporate business, no jobs for the worker, no taxes to be levied.

It is but natural that the stockholders, having entrusted their money to the employment of a corporation, have a practical stake in the welfare of "their company" and also in the manner in which the fruits of such employment are divided among the parties to the community of interests thus established. Often enough, despite the basic importance of their role, they haven't been doing as well as they might, or should, and this explains in part why common stock issues have been hard to sell in recent years.

The fundamental fact is that a company is dependent upon stockholders for much of the capital which keeps it in business, and so of course are the workers for their jobs, and the Government for the taxes it levies on corporate profits. The stockholder thus is quite a necessary factor in business enterprise. Without the stockholder's risk, capital creditors would be very reluctant to risk their money in turn.

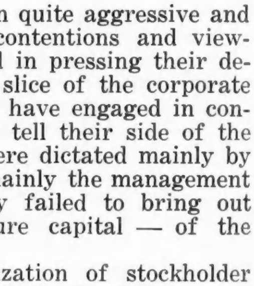
But while their risk is secured and the return on their investment usually guaranteed, profits are the stockholder's only hope, and frequently they may be modest or non-existent. Often enough, his reward bears no relation to the risk he takes.

Considerable progress has been made in recent years in cementing relations between corporations and the investing public generally, and the stockholders specifically. But what's been done is merely a start of what might be done, and still is to be done, particularly as far as the importance of the stockholder is concerned. The need is very obvious.

The labor unions have been quite aggressive and successful in getting their contentions and viewpoints before the public, and in pressing their demands for an ever-growing slice of the corporate profit pie. Corporations, too, have engaged in considerable publicity efforts to tell their side of the story, but too often these were dictated mainly by expediency or representing mainly the management angle. Quite frequently they failed to bring out properly the role of venture capital — of the stockholder.

Because of this, modernization of stockholder relations and especially the task of "plugging for venture capital" still has far to go to make the most of existing opportunities to correct some of the more obvious misunderstandings and present the corporate picture in its proper light.

One of management's most effective instruments for creating and cementing sound stockholders' relations, and bringing the stockholder's role into proper focus, is the annual report. Yet with all improvements to-date, it often remains a sadly neglected opportunity. The stockholder is naturally interested in anything affecting the future of "his company." Equally naturally, it is financial results, profits and dividends, that count most with him, for that is the basis for his investment, He also, and quite understandably, resents being relegated to the position of a lender rather than a risk taker.



Thus when we see in corporate reports reference to dividends paid to stockholders as "paid for the use of their money," we consider this not only inaccurate but highly unwise, for

there is an opportunity missed to highlight the importance of venture capital, the lifeblood of the nation's business. Stockholders after all are not money lenders; they are risk takers, part-owners of the business. They make the enterprise possible; they furnish the working capital and the tools without which there would be no jobs for the workers, not profits to be taxed.

Their money is neither borrowed, nor protected or insured in any way. It is risked, and they cannot get it back any time they want. True, equities can be disposed of in the market, but that merely means the shifting of the risk to the shoulders of another risk taker. In short, stocks, once sold, stay sold — barring the rare cases of common stock retirement by corporations. The investment has no maturity.

Since unfortunately, investors as a group are still far too inarticulate in presenting their case, it would be a good thing for management to jump into the breach, with a particular eye on enlightening those who think that risk takers get too much and ought to be squeezed still more.

Management's interest in doing such an informational and educational job is by no means academic because it *depends* on venture capital. It is beginning to appreciate the value of sound stockholder relations because it full well knows that they may pay off handsomely when a corporation seeks new capital. It is in management's interest as well to see that venture capital is properly treated, and defended against unjustified attacks.

Erroneous views of the stockholder's role and importance are still widespread, particularly in the ranks of labor. Few workers, for instance, realize to what extent their jobs, or a corporation's ability to pay fair wages, depend on stockholders' money. Few realize that numerically they are often outnumbered by them. Stockholders are far from a "small clique of greedy capitalists" as they are often pictured in the workers' minds. There are millions of them, just as there are millions of workers.

In this respect, the data compiled in the accompanying tabulation are revealing. They show that of 34 companies chosen at random, stockholders outnumber employees in 21 instances; only in twelve cases is the reverse true, and in one instance the figures are about even.

Thus we find that whereas American Telephone & Telegraph Co. has close to 594,000 workers and employees, it has 940,000 stockholders. DuPont has 73,500 employees and 109,900 stockholders. General Motors has 401,300 workers and employees and 434,000 shareholders.

Often the disparity is much greater, American Radiator & Standard Sanitary Corp. has more than three times as many stockholders as employees, and Consolidated Edison Company over four times, as has International Nickel; such corporations as Kennecott Copper, Phillips Petroleum and Socony Vacuum Oil come close to that ratio. Even numerically, then, stockholders form an important segment in the community of interests that a corporation represents. Since their contribution is so great and fundamental, it is only fair that they receive an adequate reward. Usually, however, theirs is the smallest slice.

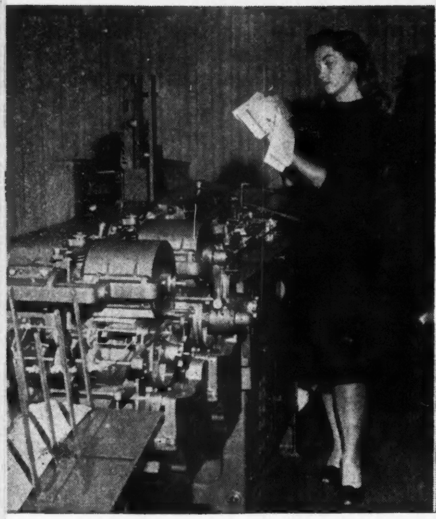
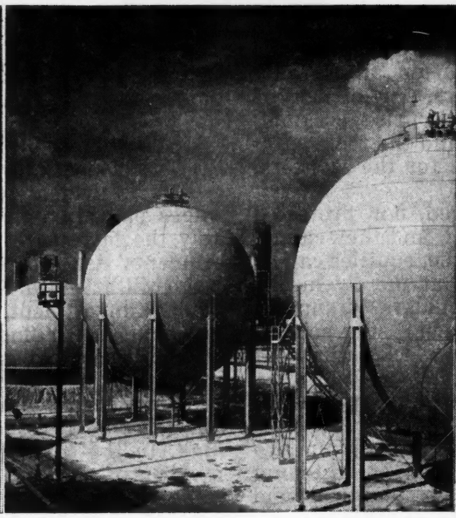
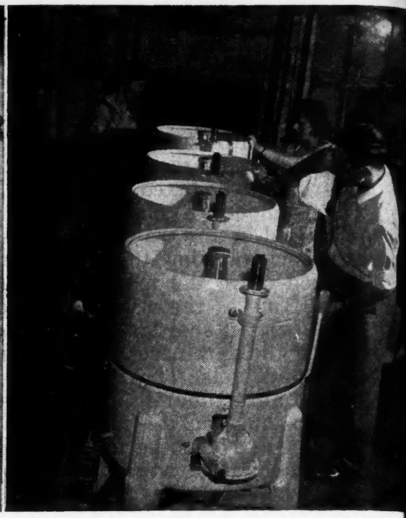
Who Gets Most?

This is evident when we look at the figures for wages paid, taxes paid and dividends paid. Invariably the latter are considerably less than the Governments' tax take, and far below a corporation's wage bill. It shows who benefits most from the stockholder's investment, from his venturing and risking his money. We find that even where stockholders outnumber employees and workers four to one, as in the case of Consolidated Edison, the wage bill is six times the amount of dividends paid, and the tax bill (income taxes only) more than four times as high. In the case of Monsanto Chemical where the number of stockholders and employees is about the same, the wage bill is more than five times the amount of dividends paid, and taxes almost one and a half times. (*Please turn to page* 178)

Stockholders and Workers — And How They Share with Government the Fruits of Corporate Enterprise

	Number of Stockholders	Number of Employees	Amount of Wages Paid	Amount of Taxes Paid	Amount of Dividends Paid
	(thousands)			($ millions)	
American Airlines	35.0	12.1	$ 46.6	$ 1.8	None
American Can	27.1	31.8	111.5	25.4	9.8
American Radiator & S. S.	63.1	19.8	67.4	14.1	12.8
American Tel. & Tel.	940.0	593.9	2,019.6	800.0	216.1
Anaconda Copper	123.2	41.8	N.A.	20.5	21.6
Bethlehem Steel	95.8	131.1	449.1	92.2	22.9
Borden Co.	52.3	31.0	109.7	12.8	11.5
Celanese Corp.	34.7	17.7	58.2	13.0	13.2
Chrysler	66.5	107.0	349.4	81.0	45.6
Consolidated Edison	125.7	29.6	110.0	75.6	18.3
DuPont	109.9	73.5	293.0	133.0	152.3
General Electric	250.5	179.3	606.6	152.1	71.0
General Motors	434.0	401.3	1,440.6	468.4	351.3
Gulf Oil	31.3	44.2	167.7	198.8	34.0
International Harvester	50.0	87.5	312.6	50.4	28.6
International Nickel	82.1	20.0	N.A.	50.2	29.1
Monsanto Chemical	15.6	15.6	45.0	11.9	8.5
International Paper	24.7	30.2	94.4	37.3	17.8
Kennecott Copper	89.7	23.1	N.A.	24.2	43.2
Montgomery Ward	68.5	86.2	162.6	31.6	19.5
National Biscuit	64.5	31.1	101.8	17.8	12.5
National Dairy Products	66.7	43.0	156.8	22.1	13.8
Pennsylvania R. R.	199.8	116.7	457.0	61.8	9.9
Phillips Petroleum	45.9	12.3	80.3	14.6	18.1
Republic Steel	52.1	70.0	207.2	47.1	19.3
Sears, Roebuck & Co.	94.7	102.5	356.2	93.9	53.2
Socony-Vacuum Oil	159.7	43.0	195.8	49.7	34.9
Standard Oil of Calif.	94.6	29.8	117.1	73.1	54.5
Studebaker Corp.	20.6	23.839	104.9	18.6	5.8
Texas Co.	105.2	39.1	155.5	56.0	51.6
Union Carbide & Carbon	92.3	42.9	N.A.	53.6	57.6
U. S. Steel	241.1	291.1	931.7	182.2	56.1
Westinghouse Electric	78.5	94.7	372.6	48.5	18.3
Woolworth (F. W.) Co.	82.8	85.0	140.0	41.6	24.2

N.A.—Not available.

Trends in . . . .
First Quarter Reports

By J. C. CLIFFORD

The general optimism generated by industrial activity in the first quarter of 1950 appears well warranted if one studies the overall earnings picture for the period. Conditions throughout the economy, though, have differed so greatly since the first of the year from those prevailing during the same interval of 1949, that comparisons are apt to be frequently misleading. More significance probably attaches to rather clear evidence that the marked recovery characteristic of the 1949 final quarter, despite the coal strike, has continued with unabated vigor in the current year.

Encouraging gains, however, have by no means been uniform, either by industrial groups or by their components. Indeed, to judge from a long list of interim reports received to-date, it seems likely that on a numerical basis, the majority of concerns earned somewhat less than a year earlier. On the other hand, so many companies of large stature forged ahead impressively, that total earnings in the final analysis may measure up pretty closely with the aggregate of the first 1949 quarter.

In weighing this generality, allowance should be made for the month-to-month progress made by many enterprises in the first quarter rather than placing too much reliance on quarterly earnings as reported. In many instances, strikes or the aftermath of the steel and coal strikes created handicaps in January and February that were surmounted in March, thus somewhat distorting the true picture. It is only by studying the comments of managements in the interim reports or at annual meetings that experiences such as these are made clearer than quarterly statistics could reveal.

Broadly speaking, manufacturers of home appliances, automobiles, chemicals, television sets and electrical equipment made especially good headway in the first quarter, followed by aircraft, rubber goods, textiles and building materials. Conversely, earnings of the petroleum industry and the coal group tended to recede from levels established in the first three months of 1949. As for the steel industry, the limited number of quarterly reports thus far available indicate mixed earnings trends, although on the whole, results seem quite satisfactory considering widely curtailed production during part of the quarter due to the coal strike.

Lending encouragement to the picture is the relatively small number of concerns whose earnings were significantly below a year earlier, and the very infrequent instances where operations were in the red. Quite a number of enterprises hard hit by recessive influences during part of last year and forced to report deficits in some 1949 quarter, have now benefitted by a resurgence in demand and are operating profitably, although there is still room for considerable improvement before their earnings would be considered really satisfactory.

Back of first quarter statistics, moreover, is cumulative evidence that the first three months may have established a dependable springboard for further progress in the second and third quarters and possibly for the full year. Many companies with production activated by a surge of demand from dealers who allowed their inventories to shrink unduly in 1949, report a mounting inflow of new orders that promise to keep them busy for months ahead. A most encouraging factor, furthermore, is the unusual number of firms that have reported somewhat higher earnings despite reduced prices which have lowered dollar

volume. Any number of managements attribute their widened profit margins to advantages achieved through installation of modernized equipment, thus indicating that sizable outlays for this purpose have begun to bear fruit.

Since the first quarter experience of different concerns in the same industry varied considerably as a rule, often for special reasons not appearing on the surface, and the composite opinions of managements in the same group sometimes provide valid clues as to what may be expected in later quarters, it seems pertinent to discuss a few specific situations.

Let's start with Pennsylvania Salt Manufacturing Company which reported the highest net profit for any quarter in its 100-year history, extending an uptrend in 1949 that lifted earnings last year to a new peak of $3.30 per share. This important producer of heavy chemicals had net sales of $9 million in the first quarter compared with $7.5 million in the same 1949 period, and net earnings rose to $1.18 per share versus 72 cents. The management explains that a large share of the increased profits resulted from further returns on its $15 million postwar investment in improved facilities, as shown by a rise of the net profit margin to 10.4% in the first quarter from 7.9% a year earlier.

As shown in our appended table, net earnings of Monsanto Chemical Company in the first quarter advanced to $1.26 per share from 97 cents in the related span of last year, resulting from a rise of 20% in sales. Mathieson Chemical Corporation's net of $1.62 per share for the first three months exceeded that of any quarter in 1949 because of record sales, but comparisons with a year earlier can not be properly made because of acquisition of several sizable concerns since then. Mathieson is one of the most important producers of alkaline chemicals in wide use by numerous industries, and its current activity strongly reflects the healthy vigor of the economy.

The impact of the steel and coal strikes on the operations of Blaw-Knox Com- (*Please turn to page* 176)

Quarterly Net Sales and Earnings of Selected Companies

	Net Sales ($ million)					Pre-Tax Margin		Net Per Share				
	1950	1949				March	March	1950	1949			
	March	Dec.	Sept.	June	March	1950	1949	March	Dec.	Sept.	June	March
Acme Steel	$16.0	$ 8.8	$12.7	$14.0	$14.5	15.4%	14.2%	$ .81	$ .23	$ .47	$ .56	$ .65
Allegheny Ludlum Steel	37.5	26.5	21.8	24.1	33.2	(Na)	(Na)	1.67	.36	(d).24	(d).08	1.09
Armco Steel	(Na)	97.7	92.6	82.9	68.0	(Na)	(Na)	2.99	1.87	1.63	1.91	2.09
American Woolen	27.0	37.0	28.2	25.9	40.8	1.1	5.7	(d).03	.69	.13	(d).89	1.25
American Seating	4.2	6.0	7.6	6.8	5.5	6.1	10.4	.64	.77	3.99	2.69	1.63
Blaw-Knox	11.2	13.7	16.7	18.3	17.1	(Na)	9.5	.20	.54	.59	.73	.66
Caterpillar Tarctor	72.4	69.4	57.3	62.9	65.0	(Na)	11.8	1.77	1.49	1.11	1.01	1.27
Celanese Corp.	53.0	53.6	43.8	26.6	47.0	(Na)	22.4	1.65	1.61	.74	(d).11	.96
Container Corp.	31.9	30.7	28.6	26.8	28.4	11.4	10.0	2.20	2.73	2.28	1.56	1.89
Continental Steel	8.6	2.7	5.3	7.0	7.3	16.6	11.3	1.68	(Def)	.41	.61	.98
Du Pont	267.0	265.2	264.6	250.2	251.7	(Na)	28.8(a)	1.15	1.67	1.04	.90	.91
Granite City Steel	12.0	12.1	9.8	12.7	11.6	16.2	12.7	3.02	1.63	1.64	2.02	2.15
Hercules Powder	34.2	31.3	29.2	30.2	30.1	13.3	13.7	1.01	.92	.89	.87	.90
International Business Machines	(Na)	44.6	46.6	47.1	45.0	(Na)	28.6	3.11	3.26	3.23	3.19	2.97
Johns-Manville	39.5	43.1	38.1	38.0	38.0	14.4	11.3	1.29	1.31	1.58	.97	.97
Libby-Owens-Ford Glass	(Na)	33.5	35.6	33.2	31.7	(Na)	23.8	2.82	2.25	2.39	2.04	1.52
Lion Oil	(Na)	17.8	15.5	16.3	15.7	(Na)	21.7	1.58	1.15	.74	1.06	.95
Martin (Glenn L.) Co.	10.5	17.9	11.1	10.7	12.2	6.3(a)	3.6(a)	.57	1.10	.54	.51	.35
Mathieson Chemical	17.9	15.0	15.0	16.6	8.4	19.3	25.7	1.62	1.32	1.34	1.53	1.48
Mengel Co.	8.5	7.4	6.9	5.7	7.0	5.7	(Def.)	.45	(d).25	.01	(d).58	(d).22
Monsanto Chemical	49.1	44.6	42.0	38.4	40.8	11.8	(Na)	1.26	1.26	.76	.75	.97
Minneapolis-Honeywell Reg.	19.5	23.5	19.5	14.9	14.7	20.6	15.0	.92	3.34	1.92	.80	.99
Monarch Machine Tool	1.2	1.2	1.4	2.1	1.8	(Na)	(Na)	.48	.71	.61	.77	.56
Pacific Mills	29.7	30.7	22.1	21.8	23.9	(Na)	13.1	2.25	1.67	.38	.06	2.04
Penna-Dixie Cement	3.1	4.3	5.6	4.8	3.1	5.5	16.3	.20	1.25	1.34	1.24	.59
Penna Salt	9.0	8.1	9.0	8.5	7.5	10.4(b)	7.9(b)	1.18	.69	1.00	.89	.72
Reliable Stores	4.9	8.5	5.6	5.7	3.8	7.3	2.3	.69	2.12	1.16	1.16	.17
Rohm & Haas	18.1	15.8	15.4	16.5	14.5	15.8	10.5	2.06	1.99	1.48	1.53	1.09
St. Regis Paper	34.3	33.0	28.1	31.2	34.8	(Na)	6.3	.35	.39	(d).02	.15	.39
Sharpe & Dohme	10.4	9.4	10.1	9.2	10.1	21.7	21.6	1.21	.66	1.25	.88	1.48
Sutherland Paper	8.5	7.0	7.7	7.6	6.5	9.7	9.5	1.39	.86	1.27	1.36	1.13
Texas Pacific Coal & Oil	3.2	3.4	3.1	3.1	3.4	44.1	54.7	.74	.96	.86	.83	.94
Timkin Roller Bearing	(Na)	19.9	19.9	28.5	31.0	(Na)	(Na)	1.26	.10	(d).36	.50	1.22
Union Carbide & Carbon	159.6	151.2	145.7	131.7	157.0	28.0	25.2	.95	.89	.84	.61	.85
U. S. Steel	634.7	385.6	604.8	647.0	664.8	14.7	13.9	1.64	1.01	1.26	1.45	1.67
Westinghouse Electric	223.9	235.3	242.2	241.4	226.6	(Na)	8.5	.87	1.31	1.54	1.31	.79
Wrigley (Wm.) Jr. Co.	17.2	15.5	17.9	18.1	16.8	30.1	30.8	1.69	1.48	1.33	1.85	1.63

(Na)—Not available.
(a)—Operating margin.
(b)—Net profit margin.
(d)—Deficit.

Happening in Washington

LEGISLATIVE OUTLOOK

By E. K. T.

TALENT SEARCH being conducted by President Truman to build a catalog of men and women qualified to fill government posts here and abroad, is applauded here, but the question is being asked whether the White House, having card-indexed the field without regard to party label or service, will utilize or ignore the findings. The President has asked professional and management groups to assist, and the response has left him no basis for criticism. If the optimism engendered by the fact that this source material is being gathered proves justified, the results will mark an abrupt switch on a policy that has brought Mr. Truman much criticism, namely "government by crony."

WASHINGTON SEES:

Assuming a gentlemen's agreement among top leaders of both parties is carried out and a July adjournment date for congress is achieved, it would be reasonably safe as of this date to list the major legislative items that will be considered, but speculation on action that will be taken is pure guesswork.

The calendar tentatively agreed upon allows three months for public business before approximately 460 of the 531 members of the senate and house settle down to the business of continuing themselves in office.

In that period, the lawmakers have some items they must act upon, some that are within their discretion. First of the "musts" is the 29 billion dollar appropriation bill which should clear the house early in May, then face a fight in the senate. A tax bill, naturally, is another "must."

The foreign aid program has delaying differences of opinion in the senate and house versions and the holdup there, if there is one, will be in the conference meetings.

The Fair Employment Practices bill faces a trial by oratory and if the southern states senators intend to let it pass, they haven't given any indication of that decision. If the outlook becomes hopeless, majority leader Lucas will withdraw it in the interests of a July adjournment.

Then there is the social security broadening amendments which appear to have a good chance of approval, and the rent control act which probably will be extended six months from July 1 (to get it past the election period). Cuts in wartime excise taxes will be a fact in May.

There will be other skirmishes but the leadership hopes to confine them to the time not allocated to the main legislative structure.

FARMERS have conjured up another means by which they may reduce their federal tax payments. They want legislation allowing them to deduct from gross earnings, for income tax purposes, expenses incurred in carrying out soil and water conservation work. Latest sponsor is Senator Robert A. Taft, but the house ways and means committee will be first to act. And there are eight bills from which to pick. Farmers say such legislation would bring national benefit by promoting more grassland farming, which would help solve the problem of surplus grains and tend to improve the American diet.

WITNESSES called to the house committee hearings on lobbying have been given an idea of what they may expect. Herbert U. Nelson, executive head of the National Association of Real Estate Boards was summoned to talk about the housing lobby, but instead found his own political views, expressed in private correspondence, the prime interest of some committeemen. Nelson had berated democracy, votes for women, and the right of others than property owners to vote. Not a broad viewpoint, to be sure, but no one was able to answer his protest that these matters have nothing to do with the housing lobby.

BUDGET submitted to the people of Britain by Sir Stafford Cripps disappoints those Washington observers who had hoped for some signs of improvement in the tax and government expenditure situation. It reflects no intention to curb the extent or cost of social services; in fact, in a major area of those operations, namely socialized medicine, the bill goes up by 363 million dollars and even the suggestion that part of that be offset by charging patients for prescriptions was rejected. Private enterprise had asked for some encouragement to expansion and self-sufficiency in the form of lower taxes, but received nothing.

As We Go To Press

White House action that will hint the future of the Reconstruction Finance Corporation may be looked for any day now. President Truman is expected to send to congress his proposals for handling the financial problems of small business. There are indications that he will recommend that this task be given to the Department of Commerce, whose principal function in this particular would be administration over small business loans. If that happens it is a reasonably safe prediction that RFC eventually will nest in the Commerce Department, not in the Treasury.

The drift away from Senator Joseph McCarthy by republican colleagues who are becoming shaky, is increasing. Senator H. Styles Bridges of New Hampshire, one of the original backers of his Wisconsin colleague's "red hunt" in the State Department personnel records, has backed off. He told an audience he would not have gone at it the way McCarthy did, stated flatly the "Joe" made statements which were too wild.

But the surprise was Senator Robert A. Taft's public disavowal. The Ohioan had found that acknowledged leadership can have its drawbacks. Because McCarthy is a Taft adherent, it became assumed that he was, somehow, carrying the ball for his political leader. Taft evidently became worried that his own senatorial campaign might be injured and he addressed a communication to all newspaper editors in his state. He said: "I never heard of the charges until he (McCarthy) made them. He has never consulted me about his course, and I have given him no advice." Taft, however, is critical of his democratic colleagues who, he says, aren't willing to listen and investigate.

Activity on Capitol Hill confirms the fears that had been expressed right along, that congressmen would prove wholeheartedly in favor of federal economy -- in the other fellow's district. The log-rolling which began before the Easter recess was intensified when the lawmakers returned with the demands of their constituents still ringing in their ears. They wanted economy, but not at the expense of local projects.

Members of the house appropriations committee who had counted upon outspoken advocates of the fiscal pruning knife to sustain reductions they might make, found many of the erstwhile economizers whistling a different tune. Chairman Clarence Cannon appraised the situation, expressed a new type of concern: instead of worrying that there might be unconscionable slashes from the omnibus appropriations measure, which many think now represents the rock bottom of safety, he was pondering whether he could hold the line at the present point.

To be watched as the debate proceeds is the number of new civil construction projects which members will attempt to slip in. There will be a concerted drive to double the 75 million-dollar hospital construction fund. Increases in the defense appropriation could amount to as much as 500 million dollars. There will be much blowing of hot-and-cold. The GOP members for the most part are committed to vote for a motion to send the entire bill back to committee with instructions to cut an amount not yet agreed upon. But before doing so, many of them will sponsor special items which would have the opposite effect. They're committed to that, too, following their vacation trips home.

Public housing advocates aren't encouraged by the trends abroad. New Zealand's newly elected conservative government is sponsoring a huge home ownership program. There's good reason for that: the government now is the biggest property owner in that country, a legacy from the socialist government recently deposed. Inviting terms are being offered to tenants, on which they may buy the houses they occupy. And France has decided to leave replacement of war-destroyed housing to private industry, following a trial at public housing, which proved slow and costly.

Congress will give closer scrutiny in the future than in the past to cost estimates submitted by federal bureaus seeking appropriations. The Bureau of Reclamation and the Corps of Army Engineers have come in for particular criticism. Recent review developed these facts: the original cost estimates of 31 public works projects under Bureau of Reclamation sponsorship totaled 1.68 billion dollars, but the actual present costs would be 5.2 billion dollars. Original cost estimated of 183 Corps of Engineers projects was 3.2 billion dollars, but will run to 5.7 billion dollars if undertaken now.

The potent postal workers' lobby has a big job cut out for it as a result of Postmaster General Jesse M. Donaldson's order reducing home deliveries to one a day and curtailing service to business establishments. In fact, the drive for a congressional mandate revoking the order now is on. Involved are the jobs of 10,000 carriers and there's hardly a large community in the country which won't find one or more postmen putting away their uniforms -- if the directive is sustained.

The situation is similar to the one which existed after Defense Secretary Louis Johnson ordered a cutback in military facilities and civilian personnel to save money. Congress had ordered economy, but balked at the method. With the postal lobby extending into 45,000 cities and towns which have post offices, a repeat of that reaction may be anticipated. This time congress is definitely on record, having specifically directed that local deliveries be reduced.

While it hasn't been suggested that either economy move was designed to scuttle the drive to save federal costs, neither action could be better calculated to build the resistance which might have that effect. Secretary Johnson forced scores of congressmen into the admission that they didn't want economy when it hit home districts. Postmaster General Donaldson is doing the same thing, but on an even broader scale. However, it is correctly pointed out, if savings are to be brought about by personnel reduction, the postal system is the ideal place to start. It is the government's largest employer of civilian help.

There's more worry over the unemployment situation that has come to the surface in the Capital. The apprehension extends into congress, the agencies and the White House. While statistics are in conflict, it appears to be a fact that 4 million persons looking for jobs are unemployed, and an additional 8 million are working only part time. The ranks of the jobless have been increased by about 1 million persons in each of the last two years. While the number of those out of work is considered about "normal" for this country, the 8 million part-time employees is a concern that hasn't been fully evaluated.

One interested group has suggested that the problem can be solved largely on the local level but adds, "such local moves should be supplemented by the government's removal of hindrances to business expansion such as the wartime excise taxes which are still in effect." And it continues: "We realize that the government has heavy obligations, such as national defense and assistance to our allies, but high-level employment and national income are the surest sources of revenue to all." It wasn't the U.S. Chamber of Commerce or the NAM speaking. It was the American Federaiton of Labor!

Secretary Dean Acheson's renewal of request for congressional ratification of the ITO charter came as something of a surprise, but it now appears he was moving solely for the purpose of keeping the issue alive, prevent it from being forgotten entirely. Even the State Department head admits that the current international trade position can't be improved by the charter, that its terms would be vitiated by the necessities of the dollar-shortage countries.

The United States would be a tongue-in-the-cheek signatory while agricultural surpluses continue. This nation could shelve the terms of the charter, fix import quotas, and effectively take itself out of the international trade organization. Capitol Hill opponents admit ITO has possibilities but prefer, probably will insist, it be set aside at least until ECA runs its course.

What Are We Going To Do About *Strategic Spain?*

By V. L. HOROTH

Whenever Spain broke into the news during the past few months, it was always a kind of reminder that there is an unsolved problem that needs to be attended to—a problem which, instead of weakening the Western World as the Kremlin's pressure intensifies, could add to the solidarity and strength of the anti-communist forces.

Spain has a great strategic value for the defense in depth, in case of a conflict between the East and the West. A prosperous, progressive Spain would be an asset to the West because of her natural resources and reservoir of manpower. On the other hand, a weak, dissatisfied Spain, in the grip of a deteriorating economic situation, must in the long run fall prey to economic and political radicalism. After China, the West can ill afford the loss of another strong position on the periphery of the Eurasian Continent.

Two developments especially, served in recent weeks to call attention to the unsatisfactory relationship between the Franco Regime and the Western Powers. One was a more or less veiled threat that Spain was ready to "deal with any country whatsoever," even her arch-enemy Russia. To what extent this move has been dictated by the desperate shortage of food and such raw materials as cotton, and to what extent it has been an attempt to force the West, and the United States in particular, to give Spain some help, is difficult to say.

The other development was the announcement that the National City Bank of New York had extended to Spain a private short-term loan which, presumably, like the earlier $25 million loan obtained from the Chase National Bank of New York in February 1949, was covered by Spanish gold deposited in London. However, like the Chase Bank loan, the National City Bank loan is but a stop-gap, the benefits of which cannot last long.

Ever since the end of the war, the key to the problem of the Western Powers and the Franco Regime getting together has been largely a question of the terms on which the two would cooperate. Before the "cold war" got under way, the West simply snubbed the Spanish Government; in December 1946, under the influence of the strongly socialist Western European governments and the satellite countries, the General Assembly of the U.N. voted a resolution suggesting that Franco should surrender his powers to a "more acceptable" regime committed to democracy. All U.N. member countries were also directed to recall their diplomatic representatives from Madrid. All but 6 member countries complied.

That was the high-water mark of the collective action against the Franco Regime. Gradually the sentiment began to change, and the gulf between Spain and the Western World started to narrow in almost direct proportion to the widening of the gulf between the East and the West. Unfortunately, General Franco was inclined to interpret the greater friendliness of the West as a sign of weakness. Shortly after the ERP started, the Generalissimo, anxious to get some badly needed dollars, misjudged the West's mood by putting a price on his cooperation—$1.500 million in raw materials and equipment—which was to be extended over a four-year period.

U. S. Going Slow

But the United States was not to be stampeded despite the fact that quite a number of prominent Americans have interested themselves in bettering Spanish-American relations and in the inclusion of Spain in the European Reconstruction Program. The main reason for hesitation on the part of the U. S. Government has been the organization of the Atlantic Defense Pact which lessened the need for bases in Spain. Meanwhile the deteriorating economic situation has made Franco less unbending.

One indication of the changing sentiment in re-

spect to Spain was last years' vote in the U.N. on extending full recognition to the Franco regime. That time, 26 countries voted in favor, and to judge by a statement made a few months ago by Secretary Acheson, the United States is now also ready to support a resolution freeing each power to restore normal diplomatic relations with Spain as well as to "acquiesce in the extension of credits covering specific and economically justifiable projects."

Strategic Realities

What is the present status of the bargaining position of the Franco Regime and of the Western Powers?

As was already pointed out, the "strategic position argument" which was General Franco's highest trump has lost some of its persuasive power. With the rearming of Western European countries, it is no longer so certain that the Western armies would have to retire behind the protective barrier of the Pyrenees.

This does not mean, however, that Spain has no longer any strategic value for the West. On the contrary, Spains' position at the entrance to the inland sea of Europe — the Mediterranean — is of great value. Spanish naval bases and airfields would be of vital importance for Europe's defense in depth and for launching a counter-offensive. Moreover, Spain could probably muster an army of 1,000,000 men, who, if well equipped, would be a force to reckon with, especially in the defense of their own country.

But to make full use of Spain's strategic advantages and army would cost an enormous amount of money. At present there are only three first class airports—in Madrid, Barcelona, and Seville. The other airfields would have to be rebuilt and modernized. Similarly, the naval bases at El Ferrol, Cartagena, Cadiz, and Port Mahon (in the Balearic Islands) have great potentialities, but they too would have to be enlarged and completely overhauled. As to the army, most of its equipment is a hodge-podge of German, Italian, Russian, French, and, of course, Spanish equipment obtained during the Civil War, some 12 years ago. There has been little money—and dollars in particular—available to buy any extensive quantities of modern equipment.

But the strategic value of Spain would be doubtful, and the money spent on her military rehibiltation would be largely wasted, if nothing were done to remove the causes of growing discontent now spreading even to the classes which up to now supported the Franco Government in fear of another civil war. To do that, the whole Spanish economy would have to be overhauled and modernized. The cost would probably be not 10 times the National City Bank's loan, but more likely 100 times.

A part of this cost would probably be borne by the Spanish people themselves, once the vicious circle in which the country has been caught is broken. Also, in view of the rapidly expanding population—despite the Civil War, Spain has over 28 million people, or 3 million more than in 1936—and the need for the conservation and development of her resources, Spain is one of the countries logically eligible for "Point Four" funds.

Spain has been caught in a vicious circle ever since the end of the Civil War. The Franco Regime has made a number of attempts to extricate the country. But either the times were inopportune, as during the war, or there was no money, or there were setbacks in the form of droughts and crop failures. After every setback, the grip of the vicious circle got tighter, and the accompanying inflationary spiral higher. Just now, the country is passing through another such setback arising from the drought last Summer. The refusal of President Peron—because of Argentina's own troubles—to extend a credit for the purchase of wheat to meet Spanish ration requirements has made the situation worse. And the devaluation of the peseta and the growing competition in world markets have not made things easier.

Food Production — Root of Troubles

The root of Spain's troubles and the place at which the vicious circle needs to be broken *is the production of food.* Although the country has today some 3 million more mouths to feed than in 1936, the cultivated area is at least 10 per cent smaller, and yields are from 20 to 30 per cent lower. The production of the chief staples, wheat and potatoes, is less than 60 per cent of what it was prior to the Civil War. The reason for this? Ever-recurring droughts, and shortages of fertilizers, draft animals, and farm equipment, all the aftermath of the Civil War.

But the antiquated methods of farming, the survival of the feudal rent system, forced deliveries of

United States Trade with Spain in 1948 and 1949
(In millions of dollars)

UNITED STATES IMPORTS FROM SPAIN	1948	1949
Olives and other fruits, incl. prep.	17.9	13.2
Olive oil and other vegetable edible oils	3.2	2.3
Wines and liquors	2.1	1.9
Spices, drugs, herbs, leaves, roots, etc.	1.7	1.8
Cork and manufactures	2.1	1.8
Sardines and other fish products	.8	.6
Nonferrous ore and other metal alloys	.9	.5
Inedible vegetable oils and waxes	.3	.4
Clay and products	.1	.2
Nuts and preparations	1.3	
Wolfrom and other ferrous alloys	.4	.2
Zinc and lead	.8	.2
Vegetables, etc.	.1	.2
All other products	3.3	2.3
Grand Total	34.9	25.5

UNITED STATES EXPORTS TO SPAIN	1948	1949
Raw cotton	2.3	13.4
Vegetable oils (edible and fats)		6.8
Wheat and grains		3.6
Vegetable oils (inedible)	.1	2.2
Petroleum and products	4.9	3.1
Industrial machinery	3.2	5.3
Automobile and airplanes	3.6	2.6
Other machinery	4.3	3.7
Steel and mill products	.8	1.7
Chemicals, pharmaceuticals, dyes, etc.	2.7	3.2
Grand Total	25.5	50.2

Spain — Economic and Financial Statistics

	Industrial Production (1940=100)	Foreign Trade Imports (millions of peset.)	Foreign Trade Exports (millions of peset.)	Currency Notes (billions of peset.)	Bank Deposits (billions of peset.)	Wholesale Prices 137=100	Cost of Living July '36=100	Stock Prices June '36=100	Peseta(d) No. of Ptas per dollar	Gold (000,000 dollars)
1937	......	......	......	9.2	......	100	......	......	10.7	......
1946	115	302	266	22.8	35.8	319	361	194	16.8	111
1947	111	396	306	26.0	42.3	373	424	261	16.8	111
1948	110	470	361	26.5	45.0	400	453	183	16.8	111
1949										
March	119	500(b)	444(b)	25.0	45.3	414	468	160	27.4	101
June	113	492(b)	400(b)	24.9	48.0	422	473	141	27.4	85
September	114(a)	472(b)	304(b)	26.1	49.1	433	480	155	27.4	85
December	......	348(b)	388(b)	26.5	......	454	500	149(c)	39.4	85

(a)—July 1949.
(b)—Quarters, at annual rate.
(c)—November 1949.
(d)—The lowest preferential rate.

food to the Government, speculation and profiteering, and finally insufficient highway and railway transportation have all been important factors contributing to the distressing food production situation. It has happened on a number of occasions that one province would have a burdensome surplus of olive oil, while another had wheat to sell. Yet, because of profiteering, and because the patched-up railway system, desperately short of rolling stock, was unable to handle the traffic, the surpluses remained undistributed.

Inflation and Food Purchases Abroad

Food shortages on one hand, and the heavy budgetary deficits incurred largely to pay for the Civil War devastation and to pamper the Army into loyal support of the Regime, have provided ideal conditions for inflation. Last December, as the reader will see from one of the accompanying tables, the official cost of living index touched 500 (July 1936 = 100); unofficially the prices were much higher. And the inflationary spiral continues to spin. There is no need to add that it has been the fixed-income people, the factory workers, and the middle class that have been hard hit. Their standard of living has been steadily declining, while the conditions in the neighboring countries, profiting from the ERP, have been steadily improving. Many people within Franco's Government ranks are disturbed by the dangerous drift of affairs, and are pressing for a more conciliatory policy toward the United States and the West.

Indirectly the shortage of food is also impeding industrialization, and is distorting foreign trade. In the first place, the low farm production keeps down the level of Spanish exports, the bulk of which have consisted of specialized agricultural products such as olive oil. Second, in order to keep the bread rations even at a minimum level, precious foreign exchange has to be used for purchases of food at the expense of industrial raw materials and equipment.

The need for re-equipment and modernization of Spanish factories—textile mills, steel plants, food processing plants, and mines—ranks only second to the needs of agriculture. A few months ago, the Minister of Industry went on record that Spain needed at least 20,000 tractors and plant equipment sufficient to produce at least 100,000 tons of nitrogenous fertilizer. In the second most urgent category was placed electric generating equipment (Spain does not produce sufficient coal for her requirements), steel mill equipment, steel scrap and other metals. Railway equipment and motor vehicles ranked third in importance and urgency. According to a national survey made by the Banco Urquijo, the leading bank, Spain could use some $800 million worth of industrial equipment alone.

On the surface then, U. S.-Spanish trade potentials are substantial. We have surpluses of practically everything that Spain needs: industrial machinery, electrical equipment, tractors, raw cotton, wheat, mules (Spain needs 100,000), etc. But unless we would buy considerable more from Spain than we do now, the dollars for these purchases would have to be appropriated by Congress. Bills with that in view have already been presented. Otherwise the money could come either from the International Bank (Spain is not a member, however) or the Export-Import Bank, which up to now has considered Spain a poor credit risk.

Otherwise, except for the short-term bank loans against which gold is held as collateral, the flow of private capital to Spain will probably be exceedingly slow. There are a number of small cotton textile mills and chemical and mining enterprises that might provide sound investment outlets. On the other hand, the forced liquidation last year of the partly American-owned Barcelona Light and Power Company was highly discouraging.

Still another discouraging factor is the way foreign trade is transacted in present-day Spain. There are no business secrets; all foreign transactions are licensed. The volume of business does not depend upon experience, drive or ingenuity, but largely upon whom one knows in the Ministry of Commerce. Moreover, the complicated multiple currency system is a riddle in itself.

The Currency Muddle

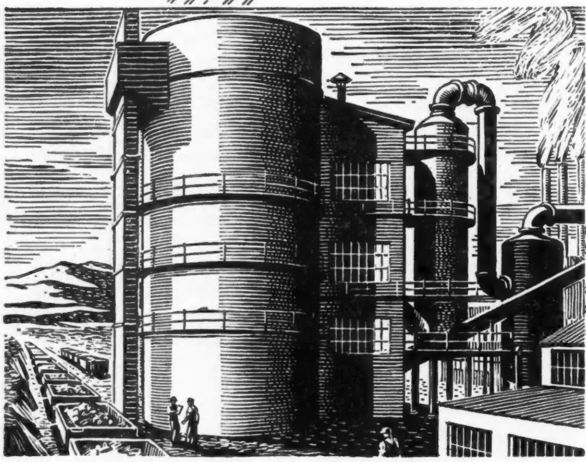
This is what the London Economist has to say about it: "One hundred pesetas can stand for anything between $1.40 and $7.00. It all depends on who receives and who pays for the goods in question; a fixed rate of exchange does not exist. The *cambio* (Spanish term for a rate of exchange) *has more than a hundred different values.* Every commodity, either imported or exported, has a different rate of exchange, and it often happens that the same commodity has a rate of exchange varying by as much as 75 per cent, according to the firm which figures as exporter on the invoice or bill of lading.

"This rate of exchange, which *is the key to any business transaction,* is (*Please turn to page* 176)

4 Selected Companies

—for Long Term Capital Gains with Dependable Income

BY THE MAGAZINE OF WALL STREET STAFF



To judge from numerous inquiries we receive, there are many investors with surplus funds at their disposal, who regardless of generally high stock quotations desire to put their money to work. The basic aim in such cases is to fortify portfolios with sound equities for long range retention—of a quality that will assure steady income despite economic changes. Additionally, as might be expected, hope of eventual appreciation influenced by growth factors is commonly expressed.

In order to meet these requirements, we have examined a number of industries to select those with inherent stability, or so essential in our economy as to hold strong promise of rather speedy recovery in the event of any recessive periods. From these we have chosen four concerns whose time-tested records reflect vigorous growth and efficiently managed operations. Impregnable financial positions, diversified output, strong assurance of well maintained dividends, have also led us to choose these situations as being well qualified for our special purposes.

Not overlooked in our study has been the element of current yield. While based on 1949 dividends and a recent price, the return varies for the four equities, in no case is it less than 4.8%, and for the group as a whole averages 5.8%. This suggests that investors consider the advisability of including the four stocks as a "package" in conservative portfolios, if so desired and when a purchase seems timely, although this should not preclude individual commitments in any of the four equities.

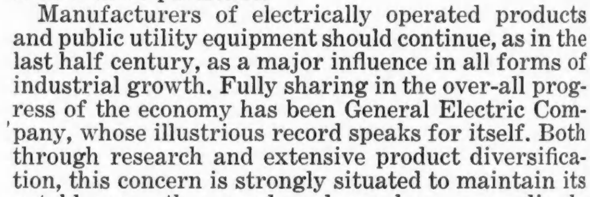
Among the most stable industries, manufacturers of pharmaceuticals, nutritional products and proprietary medicines enjoy an especially high rating. Under nearly all economic conditions, such items command a top place in family budgets and this is true on a world-wide scale. Because of American Home Product's strongly entrenched position in the field and its notable progress for many years past, we have selected it shares in our study.

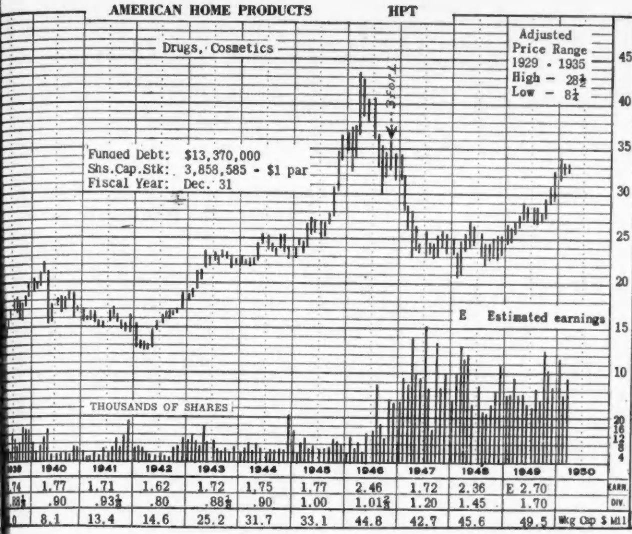
No form of enterprise has become more firmly entrenched in the American scene than the big mail order houses, especially those with large chains of retail stores to supplement their catalogue business. Montgomery Ward & Company, second largest in its field, enjoys a strong position on a nationwide basis, and has built up a large and dependable business. In our view, the company's shares deserve a place in conservative portfolios.

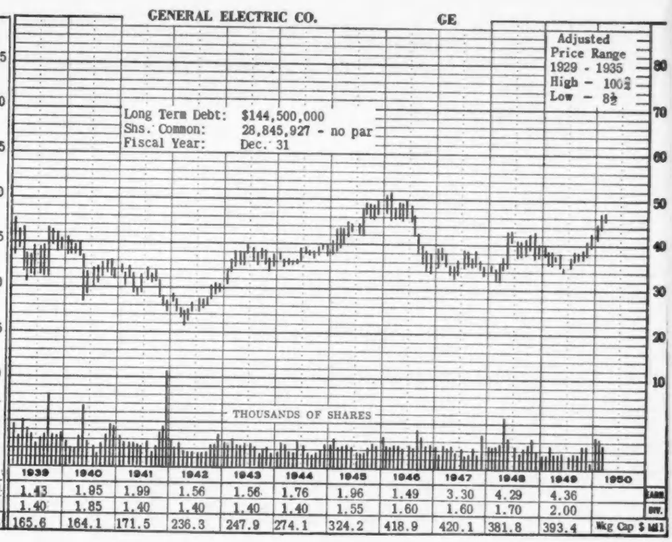
Manufacturers of electrically operated products and public utility equipment should continue, as in the last half century, as a major influence in all forms of industrial growth. Fully sharing in the over-all progress of the economy has been General Electric Company, whose illustrious record speaks for itself. Both through research and extensive product diversification, this concern is strongly situated to maintain its notable growth record and we have accordingly chosen its shares.

Science and experience have so expanded the numerous advantages and the use of paper products in competition with those made of other materials, that per capita consumption has grown steadily. Due to their expendable character, the replacement demand for these items assures unusually stable volume for the dominant manufacturers. International Paper Company is so well integrated and its faciilties have been so extensively modernized that its prospects seem very bright. We have therefore included the common stock of the company in our selection.

On following pages we present statistical data and brief comments to support our views that the four stocks we have selected adequately measure up to the standards we have set.







AMERICAN HOME PRODUCTS CORPORATION

BUSINESS: Company is one of the leading producers of pharmaceutical, nutritional and vitamin products, with diversification effected by output of proprietary drugs, dentifrices and cosmetics.

OUTLOOK: The current upsurge in confidence over general business conditions, reflected by increased inventory accumulation by dealers, enhances volume and earnings potentials for this aggressive concern. Worldwide emphasis on health and nutrition, combined with large scale promotional activities by the company, enabled it to expand both volume and earnings to new peaks in the year of general unsettlement just past. Under more stable conditions that are now presented, there is little to suggest that further growth by this dynamic company will not be attained in 1950. To meet heavier competition in foreign countries and to help overcome currency problems, steps are under way to enlarge facilities overseas. On the home front, a number of new products will be introduced in the current year to supplement well established other lines. Lower cost of raw materials should continue to stabilize or widen profit margins, as was the case in 1949, since good cost controls have served to hold general operating expenses at a rather steady level. The company's extensive research activities and emphasis on quality should consistently keep it to the front in expanding market potentials, as for many years past. American Home Products financially was never so strongly situated as at present. Through the reinvestment of undistributed earnings, working capital has risen to about $50 million and a current ratio of 3.8 attests to a very comfortable financial position.

DIVIDENDS: For more than 23 years, monthly dividends have been paid regularly, in recent years with an additional extra at the year end. The outlook points to total payments in 1950 equal to at least the $1.70 per share paid in 1949.

MARKET ACTION: Recent price—34¼ compared with a 1950 range of high—34¾, low—31¾. Based on 1949 dividends the current yield is 5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31, 1940	1949 (000 omitted)	Change
ASSETS			
Cash	$ 2,783	$12,381	+$ 9,598
Marketable Securities	30	16,770	+ 16,740
Receivables, Net	3,162	13,342	+ 10,180
Inventories	6,542	23,913	+ 17,371
Other Current Assets	97	357	+ 260
TOTAL CURRENT ASSETS	12,614	66,763	+ 54,149
Plant and Equipment	5,961	34,583	+ 28,622
Less Depreciation	1,740	11,733	+ 9,993
Net Property	4,221	22,850	+ 18,629
Other Assets	457	2,947	+ 2,490
TOTAL ASSETS	$17,292	$92,560	+$75,268
LIABILITIES			
Accounts Payable	$ 1,831	$ 9,400	+$ 7,569
Accruals	551	386	— 165
Accrued Taxes	2,044	7,423	+ 5,379
TOTAL CURRENT LIABILITIES	4,426	17,209	+ 12,783
Reserves	1,615	2,867	+ 1,252
Other Liabilities	....	802	+ 802
Funded Debt	2,483	13,370	+ 10,887
Capital Stock	807	3,858	+ 3,051
Surplus	7,961	54,454	+ 46,493
TOTAL LIABILITIES	$17,292	$92,560	+$75,268
WORKING CAPITAL	$ 8,188	$49,554	+$41,366
CURRENT RATIO	2.8	3.8	+ 1.0

GENERAL ELECTRIC COMPANY

BUSINESS: Company operates seven divisions, each broadly diversified, to cover the entire electric manufacturing field, from complete utility power plants and their components to electric locomotives and a long list of home appliances, including television sets.

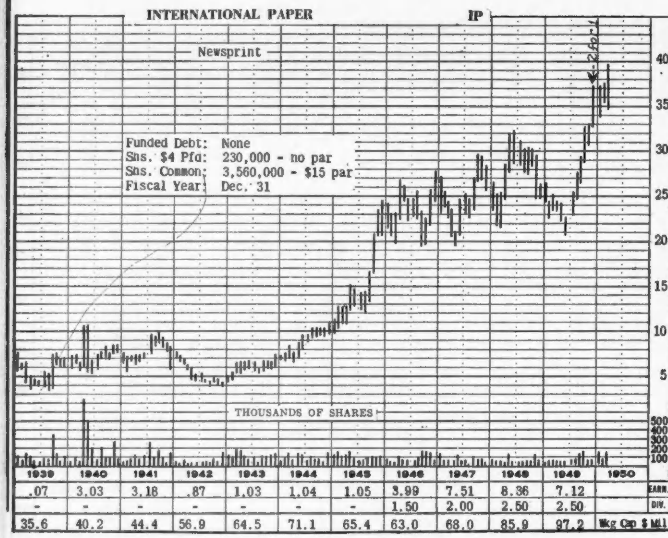
OUTLOOK: The management of General Electric Company is quite optimistic over the 1950 outlook, following a year when sales of $1.61 billion were only 1.2% below 1948 despite price reductions that averaged 5% in 1949. The company has started the current year with a large backlog of orders for public utility equipment that assures capacity operations in that division for at least a year to come. Presently, output records are being established for television and radio sets as well as for refrigerators, a pace that soon may be followed by electric ranges and irons. Volume of $418.4 million in the first quarter of 1950 was 2% higher than in the same 1949 period. More importantly, the company's net profit margins in the first three months have expanded to 8.8% of sales from 6.5% in the related 1949 period, with the result that the recent quarter was the most profitable in a long experience, reaching $1.28 per share. To engender optimism over the full year's potentials, incoming orders for heavy equipments in the first quarter were about 25% higher than a year earlier, and backlog orders for almost a million home appliance items were of record proportions. On the whole, the management holds to earlier predictions that 1950 will prove to be a better year than 1949 in practically every respect. A steadily improved financial condition has enabled General Electric to retire $125 million of indebtedness within less than a year's time.

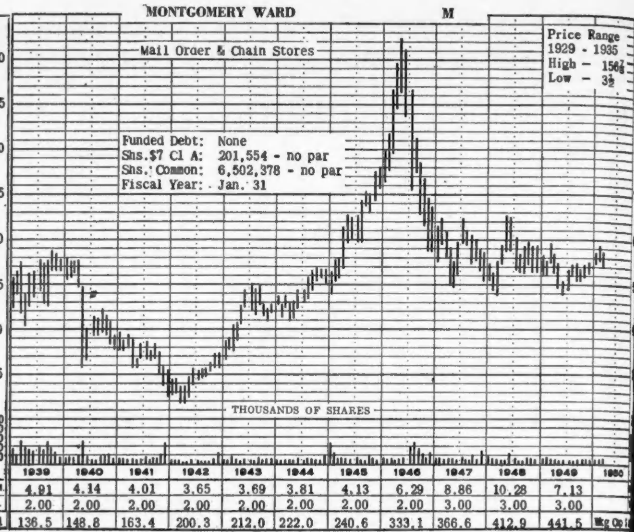
DIVIDENDS: Payments have been made without interruption for 51 years and totaled $2 per share in 1949. This year they may total $2.40 at recent increased quarterly rate of 60¢.

MARKET ACTION: Recent price—48 compared with a 1950 range of high—48¾, low—41⅜. Indicated dividend yield is 5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31, 1940	1949 (000 omitted)	Change
ASSETS			
Cash	$ 42,951	$ 58,282	+$ 15,331
Marketable Securities	66,580	264,147	+ 197,567
Receivables, Net	44,489	136,279	+ 91,790
Inventories	88,413	192,754	+ 104,341
Other Current Assets	....	29,641	+ 29,641
TOTAL CURRENT ASSETS	242,433	681,103	+ 438,670
Plant and Equipment	212,651	639,145	+ 426,494
Less Depreciation	171,150	367,704	+ 196,554
Net Property	41,501	271,441	+ 229,940
Investments	143,013	159,664	+ 16,651
Other Assets	8,615	59,071	+ 50,456
TOTAL ASSETS	$435,562	$1,171,279	+$735,717
LIABILITIES			
Accounts Payable	$ 11,664	$ 55,823	+$ 44,159
Accruals	7,787	200,073	+ 192,286
Accrued Taxes	48,433	....	— 48,433
Other Current Liabilities	10,416	31,723	+ 21,307
TOTAL CURRENT LIABILITIES	78,300	287,619	+ 209,319
Reserves	36,261	89,798	+ 53,537
Other Liabilities	12,363	32,331	+ 19,968
Notes Payable	....	144,500	+ 144,500
Common Stock	180,287	180,287	....
Surplus	128,351	436,744	+ 308,393
TOTAL LIABILITIES	$435,562	$1,171,279	+$735,717
WORKING CAPITAL	$164,133	$ 393,484	+$229,351
CURRENT RATIO	3.1	2.3	— .8





INTERNATIONAL PAPER COMPANY

BUSINESS: Company and its subsidiaries comprise the largest papermaking organization in the world. Operations are fully integrated and output includes a wide range of newsprint, kraft papers and boards, multi-wall sacks and bond papers.

OUTLOOK: Near completion of a large postwar expansion and modernization program places IPC in a strong position to meet all demands and to operate most efficiently under highly competitive conditions. Production of newsprint in modern facilities in Canada, adjacent to low-cost timber supplies, should enable the company to maintain satisfactory margins in this division, as heavy demand for this product should continue in the United States and prices will likely remain firm. Similar factors enhance the outlook for production of kraft papers and boards, as well as of shipping containers, sales of which have become increasingly important in the over-all picture. These operations are conducted largely in the South where supplies of fast growing pine timber are available and the mills are strictly up-to-date in efficiency. Now that International Paper has completely retired all funded debt and the bulk of its preferred stock, earnings on its common shares should be far more stable than formerly, and while they may continue at a level well below the postwar peak, they should still be considered very satisfactory. Since inventory losses in 1950 should be smaller than a year earlier and they could be substantially absorbed by special reserves of $18 million, the company should earn at least the $7.12 per share reported for 1949, if demand holds up as well as now seems probable. Working capital of $97.2 million seems ample for all requirements.

DIVIDENDS: The greatly improved status of International Paper Company encourages confidence in dividend stability. Quarterly payments of 62½ cents per share should at least be maintained and may be supplemented by a year-end extra with probable total disbursement of not less than $3.

MARKET ACTION: Recent price—40 compares with a 1950 range of high—41⅛, low—33⅞. The current yield is 6.2%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31, 1940	1949	Change
ASSETS		(000 omitted)	
Cash	$ 18,032	$ 30,708	+$ 12,676
Marketable Securities	....	12,248	+ 12,248
Receivables, Net	14,337	25,748	+ 11,411
Inventories	30,758	41,544	+ 10,786
Other Current Assets	....	13,323	+ 13,323
TOTAL CURRENT ASSETS	63,127	123,571	+ 60,444
Plant and Equipment	200,520	307,130	+ 106,610
Less Depreciation	65,870	154,006	+ 88,136
Net Property	134,650	153,124	+ 18,474
Woodlands & Other Assets	33,340	68,995	+ 35,655
TOTAL ASSETS	$231,117	$345,690	+$114,573
LIABILITIES			
Accounts Payable	$ 5,310	$ 10,653	+$ 5,343
Accruals	3,297	7,799	+ 4,502
Accrued Taxes	8,807	7,885	— 922
Other Current Liabilities	5,499	....	— 5,499
TOTAL CURRENT LIABILITIES	22,913	26,337	+ 3,424
Reserves	2,370	44,071	+ 41,701
Cap. from Pfd. Stock Conv.	....	40,430	+ 40,430
Funded Debt	52,072	....	— 52,072
Preferred Stock	94,116	23,000	— 71,116
Common Stock	27,349	53,400	+ 26,051
Surplus	32,297	158,452	+ 126,155
TOTAL LIABILITIES	$231,117	$345,690	+$114,573
WORKING CAPITAL	$ 40,214	$ 97,234	+$ 57,020
CURRENT RATIO	2.7	4.6	+ 1.9

MONTGOMERY WARD & COMPANY

BUSINESS: From a modest beginning in 1872, this enterprise has become the second largest merchandising operation in the United States, with more than 600 department stores located throughout the country and a very large catalogue mail order business.

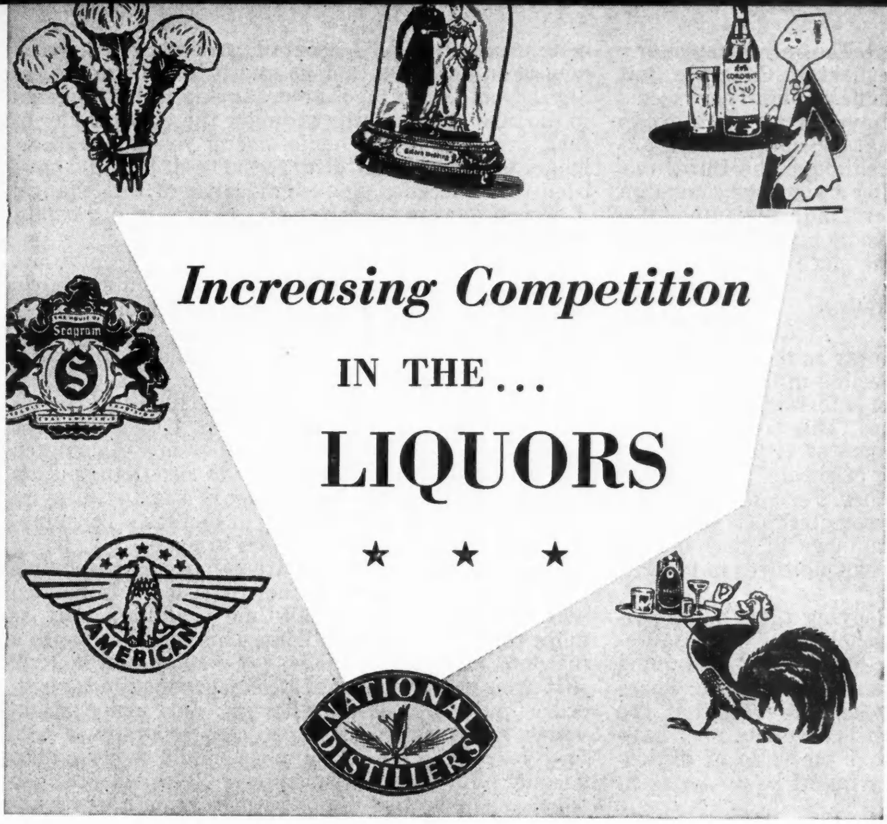
OUTLOOK: Montgomery Ward & Company is strongly situated to exploit nationwide retail markets because of its huge purchasing power that enables it to offer a wide range of goods at attractive prices. This is especially true of its department store business that has grown to account for about two-thirds of total sales, although the mail order division should continue highly popular with customers in more remote rural sections. In reflection of larger national income and alert merchandising policies, volume in 1949 topped a billion dollars for the third consecutive year in contrast to $474 million a decade earlier. Offerings of a long list of both soft and durable goods adequately meet the needs of most customers, and large scale extension of time payment terms should tend to stabilize volume. From an operating view, the company enjoys several favorable potentials in 1950, especially since inventories had been reduced $32 million at the start of the year and no drastic mark-downs seem likely in the near term. Despite sizable inventory adjustments in 1949, the company still carries $26 million reserves against future losses. Good cost controls should moderately widen margins in the current year. Because Montgomery Ward has been very conservative in avoiding a large postwar expansion program, its financial position has become exceedingly strong, with working capital at a peak of $452 million and a ratio of current assets to current liabilities of 5.7 to 1.

DIVIDENDS: Except in highly recessive years, dividends have been paid regularly since 1926, at least. Prospects that net earnings will amply cover total dividends of $3 per share this year, as in 1949, are bright.

MARKET ACTION: Recent price—53¾ compares with a 1950 high of 59 and a low of 53¼. Based on 1949 dividends, the current yield is 5.5%.

COMPARATIVE BALANCE SHEET ITEMS

	January 31, 1940	1950	Change
ASSETS		(000 omitted)	
Cash	$ 14,396	$ 24,780	+$ 10,384
Marketable Securities	....	105,435	+ 105,435
Receivables, Net	78,880	178,299	+ 99,419
Inventories	96,324	227,210	+ 130,886
TOTAL CURRENT ASSETS	189,600	535,724	+ 346,124
Plant and Equipment	78,779	77,968	— 811
Less Depreciation	28,931	43,115	+ 14,184
Net Property	49,848	34,853	— 14,995
Other Assets	12,388	18,508	+ 6,120
TOTAL ASSETS	$251,836	$589,085	+$337,249
LIABILITIES			
Accounts Payable	$ 21,797	$ 42,751	+$ 20,954
Accruals	8,079	19,031	+ 10,952
Accrued Taxes	10,829	32,404	+ 21,575
TOTAL CURRENT LIABILITIES	40,705	94,186	+ 53,481
Reserves	1,132	26,000	+ 24,868
Capital Stock	149,288	231,386	+ 82,098
Surplus	60,711	237,513	+ 176,802
TOTAL LIABILITIES	$251,836	$589,085	+$337,249
WORKING CAPITAL	$148,895	$441,538	+$292,643
CURRENT RATIO	4.6	5.7	+ 1.1



Increasing Competition IN THE . . . LIQUORS

★ ★ ★

By STANLEY DEVLIN

Although more abundant supplies have induced keener competitive conditions, the outlook for distillers is improving and representative companies show promise of reversing the earnings downtrend evident in recent years. Chief sources of encouragement are found in maintenance of high level of disposable income, gradual tapering of production costs and notable absence of price-cutting in the face of inventory expansion.

Probably the industry's greatest hope for solidifying its relatively high wartime earnings experience is to be found in increasing public preference for widely advertised brands. With the aid of legislation enabling distillers to maintain prices on their products, public acceptance of a comparatively few brands has been encouraged. Progress in this direction was accelerated during the war when principal distillers bought up smaller competitors to acquire aged inventories, and discontinued numerous local brands. As a consequence, consumption has been concentrated in a comparatively small number of popular blends.

This transformation has been likened to the manner in which the tobacco industry eliminated numerous small competitors a generation ago through acquisition of inventories and discontinuance of unpublicized brands. Thus as in the case of cigarettes, it is estimated that more than 85 per cent of brand names known in the distilling industry ten years ago have disappeared.

As a consequence of absorption of small competitors, the leading four distillers now account for 75 to 80 per cent of distilled spirits' sales, against perhaps 60 per cent before the war. Moreover, ten years ago, the five most popular brands probably accounted for no more than 20 per cent of consumption, compared with an estimated 40 to 45 per cent last year. Twenty leading brands accounted for about 75 per cent of sales last year, it is estimated, against 40 per cent or less before the war, and of these 20 brands, all but three are among those produced by the four major distillers.

With industrial conditions improving, affording a basis for a generally high level of disposable income, distillers should fare well in coming months. As suggested previously, a high percentage of production and distribution has fallen into a few strong hands and, although competition promises to become increasingly keen, there is little fear of ruinous cut-throat competition which undermined the business before prohibition. Promotional expenses are likely to be maintained at a high level in an effort to strengthen the position of branded lines, but other major elements of cost seem likely to be readily controlled.

Prospect for at least a moderate recovery in consumption this year is counted upon to reverse the downtrend in earnings. Thus far, sales have eased slightly from corresponding months last year, but a more favorable comparison is anticipated later in the year. Meantime, costs have dropped for those distillers which had been compelled to buy aged whiskey from competitors in order to replenish their own meager supplies during and immediately after the war. Their own postwar inventories have been maturing since last summer, thereby diminishing reliance on bulk whiskey purchased from others. This factor should contribute to a better showing for Distillers-Seagrams and Hiram Walker-Gooderham & Worts.

Prices — Demand Trends — Inventories

Aside from the probability of price stability and moderate improvement in demand, the distilling industry should benefit from gradual reduction in inventories and corresponding strengthening in financial positions. This development should afford an opportunity for some companies to adopt a more liberal dividend policy. Prospect for abundant grain supplies is favorable in the matter of raw materials costs. Labor conditions generally are satisfactory, since manual labor is not too important in distilling—which essentially is a chemical process. In general, therefore, cost aspects are reassuring.

The unpromising outlook for a reduction in excise taxes is the industry's chief unpleasant factor. Although final decision on tax adjustments is not anticipated for another few weeks, Washington observers have held out little hope that wartime levies on dis-

tilled spirits would be modified. The only encouraging aspect is the apparent agreement in Congress that excises have reached an economic ceiling. There seems to be little doubt that taxes have forced retail prices for whisky to such a level that consumers again are turning to bootleg sources. Although the Bureau of Internal Revenue is conducting a vigorous campaign against illicit alcohol producers, industry authorities feel that competition from bootleggers is becoming more potent than at any time since repeal.

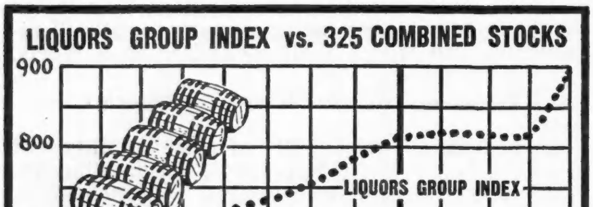
Spending Trends

Another adverse factor, so far as the distilling industry is concerned, is the decline in the proportion of disposable income spent on entertainment, amusements and alcoholic beverages. This trend has been evident since the postwar boom of 1946 which was marked by an inclination to "celebrate" end of wartime restrictions and heartaches. Perhaps a growing appreciation of family responsibilities, reflecting establishment of a record number of new homes, helps explain curtailment of expenditures in taverns and other night spots.

In any event, there is no denying that the proportion of income devoted to household furnishings, automobiles and other consumer-durables has mounted while the ratio spent on pleasure has dropped. There were indications late last year, however, that the drop in expenditures for distilled spirits may have run its course, suggesting that the ratio of disposable income for this category might be no lower in 1950 than last year.

Moreover, settlement of the excise tax question shortly should spur demand for whiskey. There seems little doubt that consumers have been reducing inventories to as low a level as possible in the hope that prices might be lowered either as result of excise cuts or in connection with old-fashioned "price wars." Hope of price competition among dealers seems to have been dissipated by recent legislation in New York State, however, and this development may stabilize conditions elsewhere.

Regardless of whether one approves social drinking, there seems little doubt but that it is gaining headway in the nation. Whereas alcoholic beverages were outlawed at college functions a generation ago, before prohibition, for example, nowadays it is common practice to hold cocktail parties in fraternity houses on special occasions and it is not unusual at high school dances for the more sophisticated students to partake of something stronger than ginger ale. In fact, drinking in the home among young people no longer is regarded as "disgraceful"—as it would have been three decades ago. Significance of this change, it seems, is a prospect for steady rise in per capita consumption of distilled spirits.



In the years immediately preceding prohibition, records indicated consumption was holding fairly stable at about 1.43 gallons per capita annually. After repeal this ratio rose, particularly during the war, and reached a peak in 1946 at 1.64 gallons per capita. Total consumption declined sharply in succeeding years—from 231 million gallons in 1946 to 170 million last year—and the ratio fell to 1.14 gallons for each of an estimated 150 million persons. As pointed out, this ratio seems more likely to rise than to drop further, and from the standpoint of the distilling industry it holds out the promise of increased consumption this year as well as in years to come.

That the industry is well situated to supply requirements is indicated by the fact that stocks in bonded warehouses reached an all-time peak this year at more than 615 million gallons. This compared with a previous high before the war of 510 million in 1942 just prior to suspension of alcohol production for beverage purposes. Even allowing for evaporation, which averages about 5 per cent annually over a four-year aging period, supplies should be more than adequate for blending purposes. So-called straight whiskey and bottled-in-bond stocks remain relatively scarce and high priced. But the industry's excessive plant capacity removes any threat of real scarcity.

As a matter of fact, probably one of the chief defects in distillers' shares as investment media is the potential threat of ruinous competition stemming from overproduction. As pointed out previously, this danger seems more imaginary than real because a high proportion of the industry has been gathered into so few hands. In any event, capacity has been estimated at as much as 900 million gallons annually, compared with about 435 million gallons before the war.

Expansion resulted primarily from construction of four Government-financed plants during the war. With production holding at a peak of 24 hours daily seven days a week, it is possible to produce more than four times the indicated annual consumption of only about 175 million gallons. Even record consumption of 231 million gallons in 1946 fell far short of what the industry could supply. Hence, operating periods are being curtailed to produce substantially only enough to maintain inventories at satisfactory levels.

Fair Trade Laws

Although consumption is perceptibly below what was regarded as fairly normal volume during the war, and price reductions conceivably might stimulate drinking, neither the industry nor Government authorities are anxious to spur consumption. This attitude explains efforts to legalize and enforce so-called "fair trade" laws under which distillers are permitted to establish fixed prices for whiskies.

While it is admitted that this policy prevents cut-price sales that featured retailing of liquors soon after repeal, and undoubtedly enables producers as well as distributors to maintain better profit margins than would be possible in open competition, public

Comprehensive Statistics Analyzing Position of Leading Distillers

Figures are in million dollars, except where otherwise stated.	American Distilling	Brown-Forman Distillers	Distillers Seagrams	National Distillers	Publicker Industries	Schenley Industries	Walker-Gooderham & Worts
CAPITALIZATION:							
Long Term Debt, Stated Value	$162.0	$12.5	$98.0	$40.0	$25.3	$125.0	$16.7
Preferred Stocks, Stated Value	....	$12.7	....	....	$8.2	....	....
Common Shares (000 omitted)	250	588	8,769	7,977	2,324	3,600	2,896
Total Capitalization	$167.0	$25.8	$115.6	$99.5	$45.2	$131.3	$34.0
INCOME ACCOUNT, For Fiscal Year Ended	9/30/49	4/30/49	7/31/49	12/31/49	12/31/49	8/31/49	8/31/49
Net Sales	$17.3	$42.5	$726.9	$362.4	$110.5	$461.8	$294.1
Depreciation, Depletion and Amortization	$.2	$.5	$2.0	$2.5	$2.0	$4.4	$2.0
Taxes	$.5	$2.6	$24.9	$15.4	$1.6	$15.7	$17.6
Net Available for Interest	$1.3	$7.0	$39.4	$41.2	$4.5	$43.0	$24.5
Interest (Bonds and Long Term Debt)	$.1	$.3	$2.5	$.9	$1.7	$3.0	$.6
Preferred Dividend Requirements	....	$.4	....	....	$.4	....	....
Balance for Common	$.8	$3.3	$34.7	$24.1	$.8	$24.2	$23.6
Operating Margin	2.5%	16.6%	8.6%	10.4%	4.1%	9.3%	13.9%
Net Profit Margin	1.5%	8.9%	4.7%	6.6%	1.0%	5.2%	8.0%
Percent Earned on Invested Capital	5.2%	21.0%	16.5%	14.6%	1.5%	12.8%	19.0%
Earned Per Common Share	$3.45	$5.69	$3.96	$3.03	$.34	$6.73	$8.19
Current Price of Common	$35.00	$13.00	$22.00	$23.00	$15.00	$33.00	$38.00
Dividend	$2.00	$.80	$1.05	$2.00	(b)	$2.00	$2.10
Dividend Yield	5.7%	6.1%	4.8%	8.7%	....	6.0%	5.5%
Price-Earnings Ratio	10.2	2.3	5.5	7.5	44.1	5.0	4.6
INTERIM REPORTS for	3 mos. 12/31/49	9 mos. 1/31/50	6 mos. 1/31/50	....	....	6 mos. 2/28/50	6 mos. 2/28/50
Net Sales	....	$33.6	$365.8	....	....	$224.0	$166.5
Pre-Tax Margin	....	....	10.6%	....	....	8.9%	14.3%
Net Income	$.2	....	$22.7	....	....	$11.8	$14.1
Net Profit Margin	....	....	6.2%	....	....	5.3%	8.4%
Earned Per Common Share	$.97	....	$2.59	....	....	$3.30	$4.90
BALANCE SHEET, as of	9/30/49	4/30/49	7/31/49	12/31/49	12/31/49	8/31/49	8/31/49
Cash Assets or Equivalent	$1.0	$3.5	$35.8	$18.3	$11.4	$63.7	$25.2
Inventories, Net	$11.6	$32.4	$220.7	$124.5	$72.6	$191.5	$84.8
Receivables, Net	$5.5	$5.5	$54.6	$41.9	$10.9	$39.5	$16.5
Current Assets	$18.2	$31.9	$311.2	$184.8	$95.2	$295.2	$126.7
Current Liabilities	$5.8	$7.9	$47.7	$30.5	$24.7	$40.0	$27.1
Net Current Assets	$12.4	$24.0	$263.5	$154.3	$70.5	$255.2	$99.6
Fixed Assets, Net	$3.2	$6.9	$32.2	$39.4	$26.8	$56.3	$29.6
Total Assets	$23.7	$39.4	$356.9	$235.7	$125.9	$356.2	$163.3
Book Value Per Share	$70.40	$10.58	$24.00	$20.70	$29.00	$52.10	$41.20
Net Current Asset Value Per Share (a)	$48.80	....	$18.83	$14.32	$15.40	$36.16	$28.50
Cash Asset Value Per Share	$4.23	$6.00	$4.00	$2.30	$4.90	$17.70	$8.70
Current Ratio	3.1	4.0	6.5	6.0	3.9	7.3	4.6
Inventories, % of Sales	20.7%	52.8%	30.3%	34.2%	65.7%	41.6%	28.1%
Inventories, % of Current Assets	63.8%	70.3%	70.8%	67.3%	76.2%	65.0%	67.0%
Depreciation, % of Gross Fixed Assets	3.7%	6.2%	3.6%	4.7%	6.0%	5.3%	4.2%

(a)—After deducting senior obligations. (b)—5% in stock.

spirited citizens feel that the arrangement is better for the public by discouraging rather than encouraging social drinking.

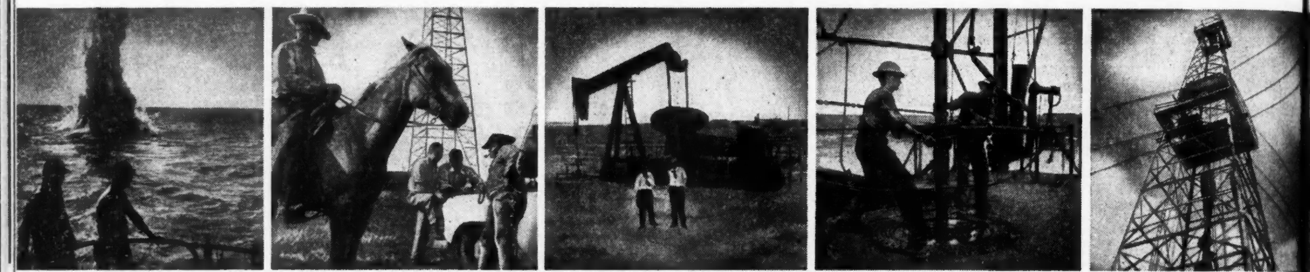
A new law recently has been enacted in New York State designed to prevent price-cutting, this measure having replaced a previous ruling declared unconstitutional. Whether or not retail interests may attempt to overthrow the new legislation has not been indicated, but legislators in other states are expected to pattern regulations after New York's bill if it proves effective.

Now let us take a look at several of the principal representatives of the industry and examine relevant statistics. A summary of important information regarding earnings, dividends, capitalization, etc., may be found in the accompanying tabulation. Largest factor in distilling in this country is Distillers Corp.-Seagrams, which reported sales for the fiscal year ended last July of almost $727 million, compared with $738 million in the previous year, about $134 million for 1941 and only $85 million in 1939. These figures include excise taxes, as they do in the case of most distillers. Not including such taxes, sales last year rose to $276.6 million from $253 million in 1948 and from $39.3 million in 1939.

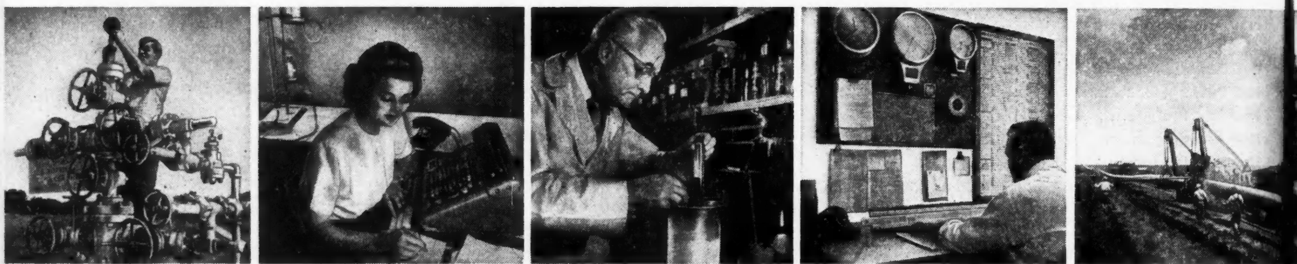
Why Net Income Declined

Net income declined to $34.8 million last year from $54.7 million in 1948, or to $3.96 a share from $6.24, which stands as the company's best year. This less favorable showing was attributed to the fact that Distillers-Seagrams had followed a policy of expansion and had been compelled to purchase aged whiskies from others to supplement its own inventories for blending purposes. Supplies bought from other distillers naturally were more costly than they would have been if produced in (*Please turn to page* 172)

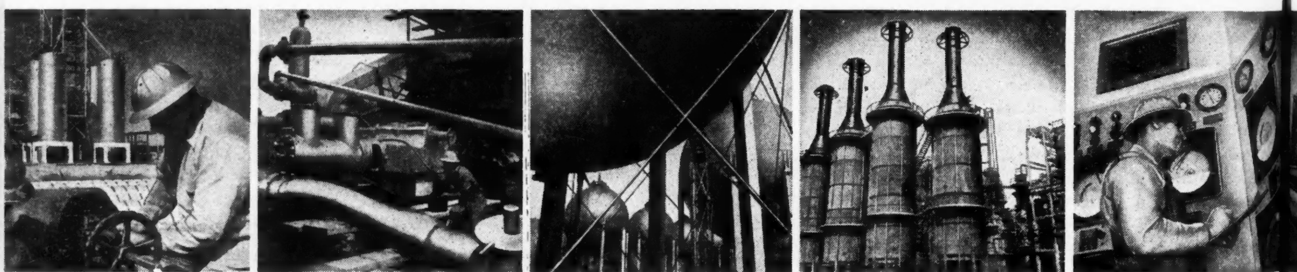
Thousands of Cities Service men and women in their daily work last year searched for and found new sources of oil and gas . . . drilled



barrels of liquid hydrocarbons...brought the Company's oil and gas reserves to the highest point in history . . . completed such facilities

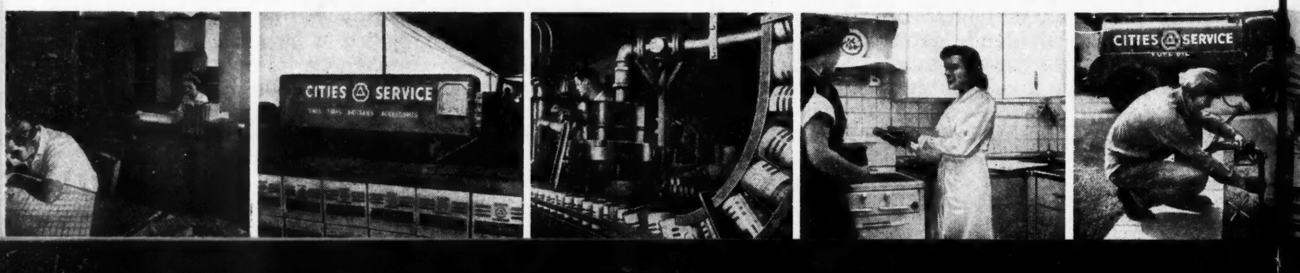


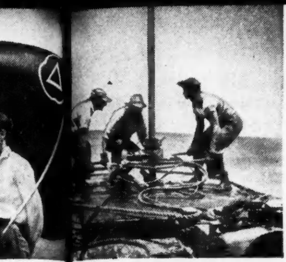
a $30,000,000 26-inch natural gas pipeline 388 miles long, a $20,000,000 refinery expansion . . . refined 69,400,000 barrels of crude



feet of natural gas to 633,000 customers in their homes and factories . . . transported by tanker and pipeline 246,000,000 barrels of oil

refined oils . . . these varied activities made it possible for the Directors to report to the stockholder-owners that their Company is in the





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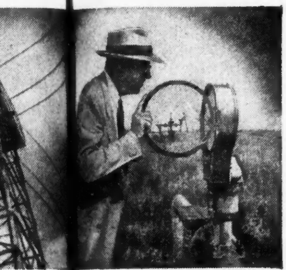

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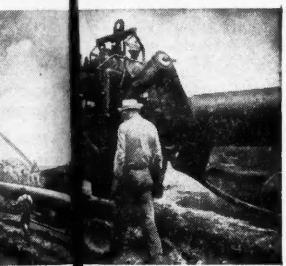
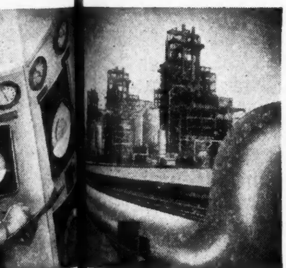
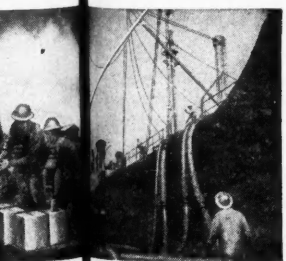


f crude oi buted 429 billion cubic



s of oil pro old 3 billion gallons of

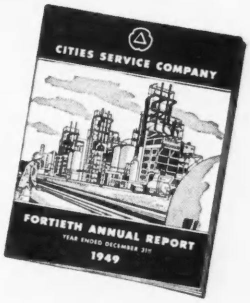


y is in the osition in its history.*

Behind your gas and oil

— and our Annual Report

—stand the men and women whose team-work provided $582,000,000 worth of products and services in 1949 for the millions of Cities Service customers.



A man with *imagination* reading the Annual Report of a Corporation sees behind the cold statistics the pulsating human activities of the thousands of men and women without which there would be nothing to report.

The photographs on this page show a few of these activities, as the people of Cities Service went about their daily tasks last year. They perform the multitude of skilled operations which are necessary before the finished oil and gas products are ready for use on the farm, in the home, on the highway, and in the factory.

As a result of these activities, Cities Service was able to give its 236,000 stockholders the following consolidated financial comparison.

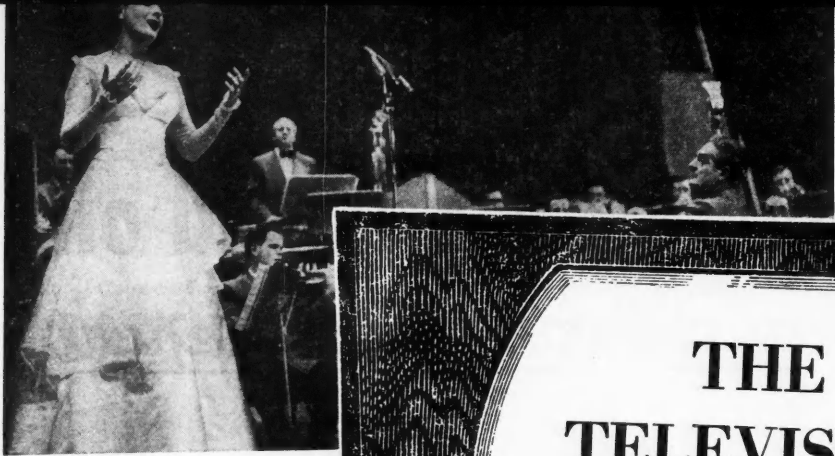
	1949	1948
Gross operating income	$582,560,721	$563,657,035
Net income	55,057,822	65,777,039
Cash and Government Securities	160,189,903	144,368,967
Net Current Assets	180,542,106	161,867,520

CITIES SERVICE

W. Alton Jones, President

**All figures are from the Cities Service 40th Annual Report, which is available on request. Write 70 Pine Street, New York 5, N. Y.*

All photos are of Cities Service operations. By Fritz Henle, 1949.



Television is booming but realization of maximum potentials depends on the solution of a good many problems—a process that will take time.

THE TELEVISION RACE

-Who Will Win It?

By H. S. COFFIN

The recent run-away market in video shares highlights the need for a sober appraisal of the factors accounting for the sharp gains, as well as a look ahead to envisage how validly they may discount the varying potentials of concerns in this glamorous industry. While factual evidence in an unparalleled degree has supported speculative enthusiasm over the television group, and a shining horizon seems to color its future, not all of the 100 competitors now in the field will share alike in the prospective glory. Hence it is timely to take stock of the current situation to appraise which enterprises are most likely to realize a fair measure of success in the race.

Never before in history has a new industry been groomed for several decades, and so thoroughly, as television before making its bow. While for many years past, it has been heralded to the public that sight plus sound devices were just around the corner, technical difficulties precluded their appearance until three years ago. When wartime scientific progress in radio and radar finally made transmission and reception of video practical and mass production of sets became possible, a long waiting public braced with ample means to buy provided spectacular market opportunities.

With such a well set stage, the tremendous upsurge in activity in the television industry, astonishing though it appears, has been quite logical. Furthermore, it seems incontestable that for several years to come, the demand from would-be owners of new sets may continue to strain the manufacturers' capacity despite continually enlarged facilities. The foregoing, though, will likely apply only to the best situated concerns, those able to produce and distribute on a scale to assure satisfactory profits in the face of a gradual downtrend in prices; for in line with all industrial experience, margin squeezes eventually will force many competitors out of the field or leave them in a marginal position. For the time being only will the present seller's market permit lush earnings by virtually all contestants for the video market.

How exceptionally vigorous the growth of this infant prodigy has been to date has been aptly pointed out by F. M. Sloan, manager of the radio division of Westinghouse Electric Corporation. According to this source, by the end of 1950 three out of every ten homes in the United States where telecasts can be received will have television. This would indicate a 30% market saturation in three years time, a point that the automobile industry required 29 years to reach and the electric refrigeration industry 11 years.

According to the Radio Manufacturers Association, production of television sets totaled about 2.8 million in 1949 and the industry's dollar volume was approximately \$560 million. In the current year, however, output may reach an indicated 4 million or 5 million sets and retail dollar sales may soar to nearly a billion dollars.

The Question of Market Saturation

In discussing market saturation, stress must be placed on the qualification that it relates only to homes where telecasts can presently be received. Currently there are 101 television stations in operation in 61 cities, and in 1950 several more will be added. When the Federal Trade Commission finally unfreezes the number of new stations that can operate and the A. T. & T. still further expands its coaxial cables on a coast-to-coast basis, a rush will be on to establish new telecasting outlets. Even as matters are, it is estimated that during the current year the number of families within reach of one or more television stations will expand to around 25 million.

Looking a little further ahead, an executive of General Electric Company has predicted that by 1955 there will be 513 television stations connected with four major networks and that 28 million television

sets will be in use, with 3.6 million homes having two sets. This conservative source considers it safe to assume that within five years, 71% of all families in the United States should be served by at least two stations. While of course not all of these homes can afford to buy sets, enough can be counted on probably to absorb around five million a year on the average between now and 1955. One important factor that supports this premise is the surprising number of medium to low-income families that have purchased the relatively high-priced sets thus far, a circumstance undoubtedly accounted for by easy payment terms that frequently involve no down payment at all and up to two years to pay.

Many other factors could be cited that contribute to optimism over the outlook for substantial sales of television sets in the next few years. For one thing, as happened with radio, rapid improvements in design, quality and performance will speed the obsolescence of earlier models and tend to stimulate replacement demand. Then, under the impact of intensified competition or improved operating efficiency at the factory level, prices will undoubtedly recede to enhance distribution potentials.

Another constructive factor will appear when color is added to the black and white pictures to which the trade is now restricted, not to mention the probable arrival of full-length motion pictures. Additionally, several leading manufacturers plan to offer models with much larger screens than those now in vogue, by this means overcoming one of the most serious objections to present video exhibitions. Finally, the frequent opposition of landlords to unsightly antenna masts will be met by the increasing trend to construct sets with built-in antennas.

Despite all the encouraging and basically sound elements in the television outlook and its admitted bright future, it should be realized that the industry as yet is only in its infancy and faces a number of major problems that will require considerable time to solve. Some of these posers, while technical in character, should be more carefully examined by investors who see in the current manufacturing boom only evidence of a sharp uptrend in sales and earnings by numerous concerns in the field, with resultant lush dividend potentials and corresponding price appreciation of video shares. While few leaders in the industry contest its superlatively brilliant potentials over an extended period, and current statistics point to dynamic progress, many operating handicaps must be overcome before the industry can cash in fully on its opportunities.

Television vs. Radio, Movies

Primarily, it should be recognized that the ultimate success of television will hinge on its ability to make inroads on radio and the movie theatres as a medium for transmission of sponsored programs, whether of educational, political or entertainment character. In contrast to worldwide audiences now reached by radio and the widespread availability of motion picture houses, reception by television in any given locality as yet may stem from a single, or at best a limited number of relatively nearby broadcasting stations.

Hence when discussion centers on the many millions of homes that in a short time may be within reach of one or more telecasts, it should be realized how restricted in choice is the owner of a video set at present. In other words, the novelty of owning a device that provides both sight and sound may soon wear off in the absence of multiple channels or of programs with wide appeal.

The most serious problem facing the television in-

Statistical Data on Leading Manufacturers of Television Sets and Parts

	Sales 1948 ($ million)	Sales 1949 ($ million)	Net Per Share 1948	Net Per Share 1949	Net Per Share 1st Quarter 1950	Div. 1949	Div. Yield %	Price-Earnings Ratio†	Recent Price	Price Range 1949-50
Admiral Corp.	$66.7	$112.0	$1.82	$4.12	$2.08	$ .80(a)	2.1%	9.3	38½	39¼- 7⅜
Avco Mfg.	140.5	137.3	1.11	.54	.15	.30	3.4	16.3	8⅞	8⅞- 4⅞
Columbia Broadcasting "A"	98.3	105.3	2.94	2.44	...	1.40	3.7	15.1	37	38½-16⅝
Cornell-Dubilier Electric	11.3	13.6	.84	.86(c)	...	.80	5.0	18.3	15⅞	15⅞- 7
Du Mont (Allen B.) Laboratories	25.6	42.4	1.29	1.49	...	.50	2.0	16.1	24	24¾-11
Emerson Radio & Phonograph	30.9	40.5	3.00	3.79	1.39	1.10(a)	3.3	8.6	32¾	32¾-11
General Instrument	14.0	9.0(f)	.62	(d).13(f)	...	.70	...	...	11½	13¼- 6¼
International Tel. & Tel.	184.7	201.0	1.07	.71	...	...	...	20.7	14¾	15⅛- 7½
Magnavox	27.4	24.4	3.06	2.01	(d)1.03(k)	.25(a)	1.2	10.1	20⅜	20⅝- 5
Motorola, Inc.	61.9	81.8	4.44	6.60	3.50(E)	.75	1.4	7.7	51	51¾-14
Philco Corp.	275.4	214.8	6.32	3.17	...	2.00	3.9	16.2	51⅜	52⅛-22¾
Radio Corp. of America	356.8	396.1	1.50	1.58	...	.50	2.1	14.5	23	23 - 9⅝
Raytheon Mfg.	53.7	56.3	.10	.49(g)	(d).03(h)	...	...	22.4	11	11⅜- 4⅛
Sparks Withington	17.9	16.8	.66	...	.19(i)	...	...	...	9¼	10¼- 3½
Stromberg-Carlson	29.4	29.5	2.49	(d)2.06	...	(b)	...	...	15½	15¾- 9
Sylvania Electric Products	99.3	102.5	2.84	1.83	...	1.40	5.3	14.3	26¼	26⅝-17⅓
Zenith Radio	79.4	77.1	7.08	5.50	6.37(j)	1.50	2.2	12.3	68⅛	70¼-20⅝

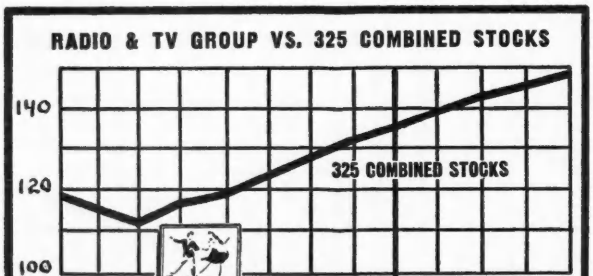
†—Based on 1949 earnings.
(a)—Plus stock.
(b)—10% stock.
(c)—Year ended September 30, 1949.
(d)—Deficit.
(E)—Estimated.
(f)—9 months ended November 30, 1949.
(g)—Year ended May 31, 1949.
(h)—9 months ended February 28, 1950.
(i)—6 months ended December 31, 1949.
(j)—9 months ended January 31, 1950.
(k)—8 months October 31, 1949.

dustry is how to reach the important segments of our population not residing near the big cities from which telecasts usually emanate. In areas adjacent to the metropolitan centers, the popularity of commercial telecasts is expanding fast, since merchants can show, as well as talk about, their products, and the audience is sufficiently large to attract national advertisers on a limited scale. It nevertheless falls far short of the nationwide coverage attained by radio, despite the expansion of telecast networks by means of coaxial cables, relay stations and other methods.

The Big "Freeze"

This problem has been greatly complicated by the "freeze" instituted by the Federal Trade Commission, the main implications of which have been obscured by injection of the color controversy into the picture. Far more important than the potential addition of color to video is the restricted allocation of telecasting channels imposed by the "freeze." For example, only one station currently is allowed to operate from Pittsburgh, serving a large and densely populated area, because contrary to expectations it was found that interference from stations in Detroit, Cleveland and other centers was disturbing. As there are only 12 high frequency channels which any telecast can use, and any one can conflict with another within range, a difficult problem has arisen for the FCC and the television industry and quite a long time may elapse before a happy solution will be found.

Similarly, the technicians in the research laboratories will have a hard nut to crack in efforts to develop a method of achieving nationwide coverage on a much broader scale than reliance on coaxial cables or use of relay stations provides. This because it presently costs several times as much to transmit a television program via coaxial cable than a radio program. And years may elapse before the American Telephone & Telegraph Company may find it physically or financially practical to lay cables that would interlace the entire country. That a solution for these and all other problems will eventually be found is unquestionable, but investors should realize that the future road of the industry is bound to have many rough spots, the smoothing out of which will take time. So will, of course, realization of maximum potentials inherent in television.



Discussion of high transmission costs and restricted coverage is very important for investors desirous of sharing in the growth of television, because the quality and number of programs that can be offered to set buyers will be a transcendent factor in determining the stability of demand. To manufacture an attractive set and to find plenty of ready buyers at present constitute relatively minor problems. The big question now exerting pressure on the industry is how to furnish programs that will win the approval of most set owners within prospective range without incurring oppressive costs. In other words, it is impossible to appraise the potentials of television manufacturers and makers of parts without studying the status of the telecasters.

As a matter of fact, several leaders in television presently include telecasting in their activities such as Du Mont, or Radio Corporation of America through its control of National Broadcasting Company. As it often costs up to $80,000 or more for preliminary work on a television show and transmission costs as well as those of constructing facilities, are relatively high, just how to justify necessarily heavy charges to potential sponsors in view of the paucity of stations and as yet limited reception range has been a serious matter. Ever since the advent of the television boom, practically every station in the country has been forced to operate at a loss and for the sake of economy has had to fill in its time with local or quite mediocre exhibitions. Here again a satisfactory solution of the problem must await the development of technical improvements that cannot be attained hastily, or some method devised of lowering program costs while enhancing their public interest.

Production Aspects

From a manufacturing and distributing angle, the leading units in the television industry have been unusually well situated to forge ahead in their production and sales drive. The long experience of some concerns in radio manufacture has well fitted them to expand their activities in television as an offset to declining demand for radio. In the current vigorous market for video sets, sales of radio receivers have been considerably stabilized by their widespread inclusion in television sets, the increased cost of which seems to have been a minor deterrent to consumers due to easy payment terms. When supply for television, though, becomes better balanced with demand, a larger portion of output devoted exclusively to television and at reduced prices should tend to stimulate demand.

Under current conditions, the increased mass production of tubes and ample availability of other television components has broadly stimulated production, though as yet not enough to preclude allocation of orders to most distributing outlets. In this respect the near term outlook holds encouragement due to the completion of numerous new facilities. Video set production thus far in 1950 has been more than twice that a year earlier, despite seasonal influences. Beyond much doubt, dollar sales of the leading concerns will continue to rise throughout the year, and earnings comparisons should continue quite favorable.

On the other hand, the time is closely approaching, if it has not already arrived, when competition will encourage further price reductions that, combined with increased promotional outlays, will tend to narrow operating margins. To some extent, though, the trend towards installation (*Please turn to page* 174)

Photos by Twentieth Century-Fox

Movie Outlook Continues Obscure

By C. F. MORGAN

The motion picture industry more than any other group has been beset by postwar operating difficulties which seemed incapable of quick or easy solution. While some progress has been made in the last two years, new problems have arisen to cloud the medium term outlook, and until the picture is clarified many uncertainties will likely persist.

On the other hand, if generally improved earnings towards the end of 1949 are a valid sign of fundamental recovery, last year could be considered satisfactory for the industry, although profits as a rule were below those reported in 1948. The business early last year started off with an encouraging spurt, only to experience a slump soon after which an improvement in the final quarter could not fully compensate for. In this respect the movie industry rather closely followed the pattern of most other industries, but for quite different basic reasons.

What is still worrying the industry is a continued downtrend in theater attendance in the last three years, inducing a similar decline in gross income. 1949 attendance was about 10% below 1948 and 23% lower than in 1947. While the higher prices for theater tickets in recent years may have partially accounted for their lessened demand, picture producers searching hard for operating economies have tended to lower the quality of many new films. More important has been the impact of increased competition from television, and not to be overlooked is the fact that not only have video shows themselves presented novel competition for motion pictures, but the widespread purchase of TV sets on time payments has also limited consumer outlays for other forms of amusements.

It should be realized that the average age of movie theater attendants is around 19 years, so that their spending potentials are restricted especially in a period when families have become substantially in debt for new automobiles, houses and home appliances. Were it not for the unusually well maintained high level of consumer income, it is probable that the downtrend in audiences at the picture shows would have been somewhat more marked. Compared with prewar, though, a weekly attendance rate of 62 million in 1949 was still substantial if measured against 54.5 million in 1940, while theater prices are now about 60 higher than a decade ago.

An encouraging element is that towards the end of last year, the improved earnings of leading film producers reflected the end of heavy amortization charges for earlier high-cost pictures, which had plagued the industry for more than two years. Normally, the maker of a new picture allows from a year to 16 months to fully charge off its original cost, hence it was only by last Fall that the industry was able to eliminate the pressure of excessive production costs. Operating margins henceforth should tend to widen as amortization charges on the more recent and lower-cost pictures cut less severely into earnings.

Aside from the foregoing factor, the earnings of the leading movie producers stand to benefit from numerous sharp cuts in operating expenses, the total decline in these outlays having reached about 25% by the end of 1949. Wages and salaries of the stars and studio personnel usually account for about 85% of the final cost of a new picture, so that by selecting pictures with smaller casts, simplified sets and much speeded up filming, some very substantial economies have been effected. As said, though, the industry has not yet fully learned how to produce some of these lower-cost pictures without impairing their popularity, and unless their efforts prove more successful, there is a chance that competition may force some units in the industry to revert to their former extravagant production policies, at least in some degree.

American motion picture producers have been seriously affected by the decline in foreign markets for their films, and small prospect is seen for early improvement. About half of all foreign business originates in Great Britain, where for nearly two years past now, the industry was permitted to withdraw a total of $17 million of annual earnings in American dollars. The balance of earnings have to remain in blocked balances in the sterling area.

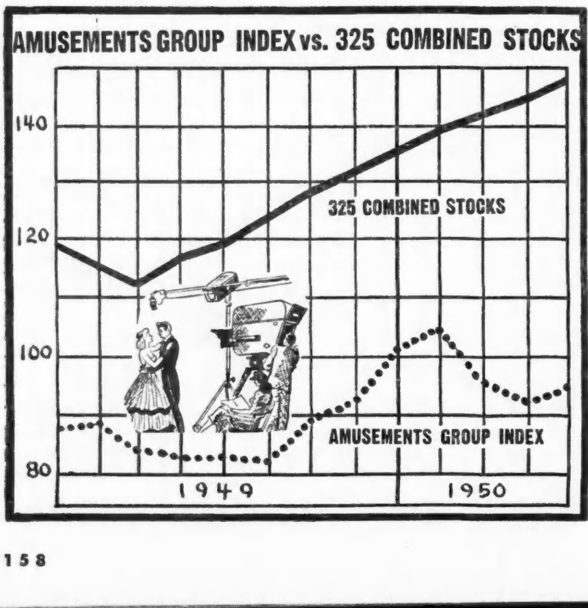
Last year, the American companies spent about $20 million of their accumulated British balances in producing new pictures overseas, as permitted by the agreement between the Motion Picture Export Association and the British Government. Devaluation of the pound, though, reduced the value of sterling balances by about a third, so that by the end of 1949 the companies had remaining only about $7 million. Restrictions against the importation of American films by France and other European countries as well as by some in South America, notably Argentina, also have been a discouraging experience that may not soon disappear. There is a chance, though, that when the Anglo-American agreement comes up for renewal in June, its terms may be somewhat liberalized.

Beyond much question, however, the motion picture industry has resigned itself to a prolonged shrinkage of many foreign markets from which it formerly derived very substantial earnings. Some concerns heavily reliant on revenues from foreign film sales will continue to be hard hit by their decline. On the other hand, some firms may find it more profitable to display their own foreign made pictures here in the United States rather than to rely on sales of domestic films overseas, due to currency devaluations.

Movies vs. Video

Now that some 5 million television sets will likely be in use by the end of 1950, this circumstance seems pretty sure to affect picture theater attendance adversely, but opinion differs widely as to the extent. Surveys indicate that in the big cities, movie goers are continuing to patronize film shows not much more infrequently than in smaller centers where television as yet has arrived on only a modest scale. Some claim that when the novelty of television wears off, people will flock back to the movie theaters again. A factor to consider also is that the stay-at-homes often find a wholesome outlet for their recreation urges by getting away from restricted quarters. Until the television programs improve a great deal from their current dullness and mediocrity, which may happen before too long, it seems probable that too much pessimism has been expressed over inroads on motion picture attendance, although these cannot be disregarded.

Over the longer range, furthermore, there is a strong chance that motion picture producers may gain



substantially by the development of television, for its potentialities have long been recognized as a logical growth stimulant for the movie industry rather than as a threat. Practically every concern in the field has been alert to encourage and participate in many ways, directly or otherwise, in the promotion of public interest in television. In numerous respects, the two industries face most interesting opportunities to contribute supplementary services that should benefit each other, although some time will be needed to develop existing potentials.

Steps are already being taken by one motion picture group to install a television system devoted exclusively to theaters for use in large screen presentations such as are now employed by Paramount Theatre in New York to televise events of national interest. The development of such a system may lead to the relaying of motion pictures from a central movie house to suburban theaters in nearby communities. Specially produced films for this purpose could prove effective in lifting revenues of the producing companies.

Aside from this potential, all of the Hollywood picture concerns are heavily engaged in promoting research into every phase of television, in some cases hand in hand with the leading video concerns themselves. Paramount Pictures Corporation, for example, owns a substantial stock interest in Allen B. Du Mont Laboratories, Inc., an outstanding unit in the television industry and one of its foremost pioneers. Operation of television stations by motion picture companies has also begun and in time will likely create a supplementary source of income.

Excise Taxes

Another constructive factor that quite possibly may benefit the entire movie industry in the near term, is the prospect for elimination or reduction of the excise tax on theater tickets. Beyond any question such a step would immediately stimulate theater attendance and consequently improve the earnings potentials of both the picture houses and the film producers. This is important because despite the downtrend in consumer spending for motion picture shows of late, there is no question that the popularity of motion pictures is firmly established and that if attendance prices can be reduced, further long-term growth is possible.

Reverting to competition from television, however, there is a chance that this factor may detract from the traditional repute of the motion picture industry as a nearly depression-proof group, for in lean times many otherwise regular theater goers may be more likely to remain content with the more economical television screen in the home parlor.

The greatest uncertainties currently plaguing the movie industry arise from the federally enforced trend to segregate the production and distribution end of the business from theater ownership. Under the terms of a consent decree, Paramount Pictures, Inc., thus segregated its activities on December 31, 1949, and on May 8, 1950, Radio-Keith-Orpheum will be similarly split up unless the deadline is extended. Indications are that Warner Brothers, Twentieth Century-Fox and Loew's will also have to fall in line to segregate their activities upon completion of negotiations now under way with the Government. A Federal Court has already ordered the breaking up of the foregoing concerns, but has indicated that compliance may be delayed until early 1953. Neither Universal Pictures nor Columbia Pictures have any distributing facilities in

the form of company-owned theaters, thus are not affected.

It can readily be envisaged how confusing this trend has become to investors, for aside from possible small holders, it has been or will be necessary to decide which form of investment to retain, since under the Paramount ruling, at least, an investor must divest himself of one or the other under penalty of having some dividends withheld by the trustee. To complicate matters, it is very difficult to appraise the earnings potentials of the two divisions after segregation, though pro forma balance sheets may furnish some clues. But past records of the pre-divided units lose significance because the advantages of integration can no longer be counted upon.

In the past, some of the leading integrated concerns have derived as much as 75% of gross revenues from theater income, hence it might be assumed that investors would favor holding shares in this division rather than in the film producing units. On the other hand, as everyone knows, production of an occasional smash hit often brings lush profits, a factor that lends speculative appeal to the studio shares. Additionally, the growing custom of the big film producers to invite bids from theaters for their new offerings often leads to the payment of substantial premiums that could swell their revenues, though this increases the gamble taken by the bidder.

Theater Shares vs. Those of Producing Companies

More importantly, it is the Hollywood end of the business that in the long run may benefit substantially from the development of television. All said, holders of the theater shares may be assured of more stable dividends in the long run than investors in producing units, but under entirely new conditions the outlook is considerably obscured in both instances. Shares in producing companies undoubtedly will be appraised as more speculative.

The new United Paramount Theatres, Inc., not only operates a large chain of picture houses but television station WBKB in Chicago as well. The theater chain currently is being rearranged on quite a scale, as a result of which earnings have been enhanced somewhat by profits on the sale of some units. As the company came into being only at the start of 1950, no definite earnings record has been established. On a pro forma basis, however, net per share amounted to $2.11 per share for 26 weeks ended July 2, 1949, and if profits from disposal of theaters is included, full year net may reach $5.50 a share, but no authoritative figures have as yet been released. Disregarding the non-recurring profits mentioned, earnings seem to be at an annual rate of around $4.50 per share, an estimate supported by an initial dividend payment of 50 cents per share on April 1, 1950. On the whole, the indicated stability of earnings by this new company imparts the shares a measure of appeal.

Paramount Pictures Corporation

Paramount Pictures Corporation received the bulk of liquid assets of its predecessor together with all the stock of Paramount International Films, all stock of Paramount Television Productions and 29½% of the outstanding stock of Allen B. Du Mont Laboratories. The new company's margins should be widened in the current year by production of lower cost pictures with reduced amortization charges. Earnings on a pro forma basis for 26 weeks ended July 2, 1949, equalled 37 cents a share and for all of 1949 were probably better than $1 a share. A strong financial position led to declaration of an initial dividend of 50 cents per share on March 29. Ample working capital should continue to encourage liberal dividend disbursements, but the shares must be regarded as quite speculative.

Stockholders of RKO, as in the case of Paramount, will soon receive one share of common stock in each of the two companies to be formed. The new picture company will be strongly dependent on domestic business, as formerly RKO derived only about 10% of total revenues from foreign sales. In view of difficult currency problems overseas, the foregoing circumstance may be construed as favorable. With smaller amortization charges, the earnings of the picture unit may improve moderately in 1950, especially if new productions meet popular (*Please turn to page* 172)

Statistical Summary of Leading Motion Picture Companies

	Gross Revenue 1949 ($ mil.)	Net Per Share 1948	Net Per Share 1949	Interim 1950	Divs. Per Share 1948	Divs. Per Share 1949	Div. Yield† %	Price-Earnings Ratio‡	Recent Price	Price Range 1949-50
Columbia Pictures	$53.3	$ .40	$1.08(b)	$1.21(c)	(a)	$ .50	4.1%	11.2	12⅛	14⅝- 7¾
Loew's, Inc.	179.3	1.03	1.31(l)	.97(f)	$1.50	1.50	9.2	12.4	16¼	18¾-14⅛
Paramount Pictures Corp*	.....	.....	1.30(E)	.....	.....	.....	.....	16.1	21	21¼-17½
Radio-Keith-Orpheum	106.2	.13	.49(g)	.....	.60	.45	5.8	.....	7¾	9⅝- 7
Republic Pictures	28.0	(d).41	.05(h)	.....	.....	.....	.....	90.0	4½	5⅜- 2¼
Technicolor	20.1	1.93	2.56	.....	1.25	2.00	8.3	9.3	24	26¾-10⅝
Twentieth Century-Fox	169.5	4.30(i)	4.28(i)	.....	2.00	2.00	9.3	5.0	21⅜	25½-19⅛
Universal Pictures	56.7	(d)3.59	(d)1.45	(d).06(j)	.75	.....	.....	.....	9½	12⅜- 7
United Paramount Theatres*	.....	.....	5.50(E)	.....	.....	.....	.....	3.2	17⅞	24 -17⅛
Warner Bros.	140.8	1.62	1.43(l)	.44(k)	1.25	1.00	7.1	9.8	14⅛	16¾- 9⅝

†—Based on 1949 dividends.
‡—Based on 1949 earnings.
*—Pro-forma, new segregated companies.
(a)—2½% stock dividend.
(b)—Year ended June 30, 1949.
(c)—27 weeks ended December 31, 1949.
(d)—Deficit.
(E)—Estimated.
(f)—28 weeks ended March 16, 1950.
(g)—9 months ended October 1, 1949.
(h)—Year ended October 29, 1949.
(i)—53 weeks ended December 31, 1949, and 52 weeks ended December 25, 1948.
(j)—13 weeks ended January 28, 1950.
(k)—Quarter ended November 26, 1949.
(l)—Year ended August 31, 1949.

FOR PROFIT AND INCOME

Low-Priced

After doing relatively little during the greater part of the 10-month rise in the market, low-priced stocks recently really came to life. In the week ended April 22, they were the life of the party, with trading larger on an average than in about 10 years. In the most active session, 10 low-priced issues accounted for over a fifth of total Stock Exchange volume. Two things can be said. Much increased public interest in low-priced stocks makes the market subject to sharper reactions than those heretofore seen, although not necessarily soon; and it brings the end of the upward cycle nearer than would have been so had the market remained investment-dominated. However, these are generalities. There is no way of projecting the exact limit of speculative excess. Low-priced stocks outgained the market during more than the last two-thirds of the entire 1942-1946 rise. If that is taken as the standard of comparison, nobody can deny the possibility of considerable excitement ahead.

Little People

The majority of "little people" lose money in the market. One main reason is that they are in most cases attracted to it only after a rather protracted rise. Another is that they are unable to distinguish between sound stocks and radical speculations. A low price for a stock is not necessarily related to quality, although the majority of low-priced stocks are low-quality issues. For example, a good pie is a good pie, whether cut into six slices or ten. In some cases, it is the capitalization factor primarily — the number of slices — which puts a stock into the low-priced class. A number of low-priced stocks compare with higher-priced stocks in intrinsic quality. Example, to cite only a few, are American Radiator, Socony Vacuum, Northern States Power, Southern Company, Columbia Gas, Burroughs Adding Machine, Pitney Bowes, and Transamerica. However, stocks like these are subject to swings no wider, on an average, than is the general list. You cannot have your cake and eat it too. The widest possibilities for gain — and loss — are always in low-quality low-priced stocks. Such as what? This column will mention no names, lest it be taken as a recommendation. From here on a majority of the 15 most active stocks each day—a list published in some newspapers — will be low-priced "cats and dogs," once more strutting their stuff.

May

Checking back over the charts for the last 30 years, the Dow-Jones industrial average has had a moderate to large net advance in the month of May in 13 instances; moderate to large declines in 8 years; and showed only slight change in 9 instances. There is no apparent "seasonal factor." As you might guess, most of the declines were seen in bear-market years; most of the advances in bull-market years; while the slight changes were pauses in bull or bear markets. Bull markets have run for a considerably greater total time than bear markets. For any month, therefore, there will

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1950	1949
American Chicle Co.	March 31, Quar.	$ .91	$ .79
Atlas Powder	March 31, Quar.	1.27	1.04
Master Electric Co.	March 31, Quar.	.50	.28
Allen Industries	March 31, Quar.	.53	.45
Atlantic Refining	March 31, Quar.	3.09	2.73
Best Foods	March 31, Quar.	1.23	.70
American Cyanamid	March 31, Quar.	3.03	1.51
Gillette Safety Razor	March 31, Quar.	1.69	1.06
Pfeiffer Brewing Co.	March 31, Quar.	1.28	1.07
Robertshaw Fulton Controls	March 31, Quar.	1.23	.36

be more instances of advance or of little change over the years than of declines. If you are interested in such records, May brought a fast nose dive in 1940, and further bad bear-market slides in 1931 and 1932. The biggest May rise was in 1933. Very little change was seen in this month in the rampant 1928-1929 speculation. The recent May record was: 1949, down; 1948, up; 1947, slight change; 1946, up.

Cigars

Maybe some psychologist can explain why people are spending freely for automobiles, new homes, video sets, etc., but not for cigars. At this time of continuing high consumer income, cigar smokers are, as usual, a small minority; and many of them apparently are price-conscious even down to a matter of a cent or two. Conditions in the trade are highly competitive. In most cases peak earnings were seen back in 1929; with postwar peaks in 1946 or 1947, and downtrends thereafter, accentuating in the first quarter of this year. Bayuk Cigar netted one cent a share in the first quarter, against 22 cents a year ago. By coincidence, General Cigar on the same day also reported one cent a share, against 26 cents a year ago. General has the best long-term record in the field, with continuous dividends since 1909. But this company is far from what it used to be in finances and liquidity, as well as earning power. Hence ability to pay dividends, except perhaps in token amounts, is open to question. The same goes also for Bayuk. On the other hand, Consolidated Cigar, biggest factor in the medium-price field, is faring relatively well, which must mean able management, for it is subject to the same general influences as the others. Earnings were $1.23 a share for the first quarter, against $1.19 for the like period a year ago. Annual profits rose each year from 1945 to 1948's peak $7.34 a share, receding to $6.77 last year. Probably the $2 dividend will continue, though finances are not impressive. The leading cigarette stocks are much better investments than cigar stocks. The market action of both groups, however, has been sub-average for some time.

Jackpot

A miracle drug which anybody can make soon becomes, figuratively and literally, a drug on the market. The big money is in miracle drugs which can be exclusively produced or kept under effective price control through patent rights or trademark. Peculiarly enough, the most spectacular jackpot has been hit by American Cyanamid, a general chemical manufacturer, although one which has put growing emphasis on pharmaceuticals for some time, rather than some drug-specialist concern like Abbott, Pfizer, Merck or Squibb. The highly successful drug, "Aureomycin," spells the biggest part of the difference between this company's reported net of $3.03 a share for the first quarter and net of $1.51 a share in the first quarter of last year. The first quarter profit exceeded full-year profit of any year prior to 1948. The stock, formerly one of the most stodgy in the chemical group, jumped 6¾ points to 73, a new high since 1929, in the single session following publication of this report. The dividend rate has been increased twice in 1950, but still is only $2.50 a year. If you can assume earning power around $12 a year, obviously Cyanamid is the cheapest of the chemicals, despite its large rise this year and last. (The 1949 low was 35¼). This column does not know whether the assumption is reasonable; but the quarter-to-quarter earnings trend since June 30 last year suggests that it may be. So do recently published scientific reports which appear to indicate major further commercial possibilities in "Aureomycin."

Another

Parke, Davis, for many years a large, stable and somewhat colorless maker of drugs, has the second biggest jackpot in the controlled drug "Chloromycetin." It is the chief reason why recent quarterly earnings have been running 50% or so over year ago levels; and at an annual rate of over $3 a share, against $2.54 earned in 1949 and only $1.98 in 1947. At 39¼, this stock is well above 1948-1949 lows in the vicinity of 23-24, but under the highs of a number of past years, such as 58⅛ in 1929, 47 in 1939 and 48¼ in 1946. However, possibilities in this stock seem to be on the moderate side.

National Gypsum

Action of most building stocks on the rise to date has been disappointing. The reason is clear. Despite continuing high building activity, earnings were sharply reduced last year as distributors met an appreciable part of the demand through reduction of inventories; and manufacturers found the 1948 sellers 'market gone. Recent interim earnings, somewhat improved in most cases, remained well under peak 1948 levels. However, market action should become more selective. This column singles out National Gypsum as having a good 1950 chance of approximating, maybe even bettering, peak 1948 earnings of $3.60 a share, and of increasing the conservative $1.20 dividend rate. As the stock sold as high as 33¼ in 1946 on net of only $2.21 a share and a 50-cent dividend, the possibilities at current price of 19⅜ might be substantial.

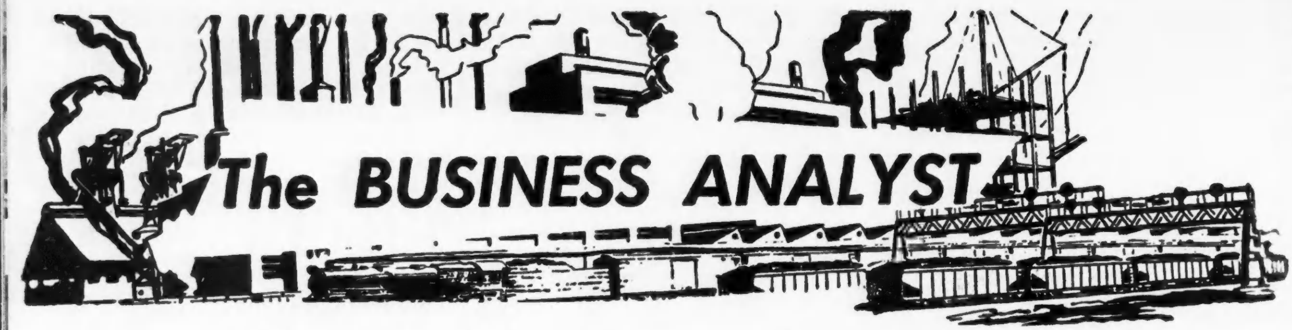
Values

Industrial stocks of fair-to-good grade are now selling about 4% over their 1948 recovery high, on an average; and around 5% under their 1946 bull-market top. The market has never been a great distance above this area, excepting in 1928-1929. You can say, therefore, that on an historical basis the market is in relatively high ground. That is one way of looking at it.

(Please turn to page 175)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

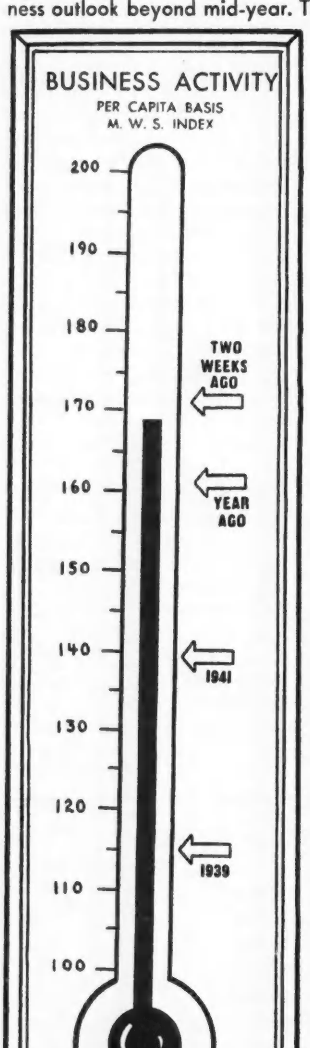
		1950	1949
Worthington Pump & Mach.	March 31, Quar.	$1.11	$1.42
Joy Mfg. Co.	March 31, Quar.	.66	1.46
National Supply	March 31, Quar.	.47	2.00
Howe Sound Co.	March 31, Quar.	.86	1.67
Liggett & Myers Tobacco	March 31, Quar.	1.50	1.91
American Steel Foundries	6 mos. March 31	.51	3.83
Colorado Fuel & Iron	March 31, Quar.	1.30	2.11
Falstaff Brewing	March 31, Quar.	.39	.63
Bayuk Cigars	March 31, Quar.	.01	.22
Sloss-Sheffield Steel & Iron	March 31, Quar.	1.16	1.76



What's Ahead for Business?

By E. K. A.

As we entered the second quarter, cautious optimism had replaced much of the former reservations regarding the business outlook beyond mid-year. Today, with only a third of the second quarter behind us, it seems that nothing is likely to hamper business much throughout the year. Industrial production is about at its level of a year ago but the shorter term outlook is quite different. At this time last year, recession was well under way and it was to continue until late in summer. Now the prospects are that general business activity in the second quarter of 1950 will at least equal, if not exceed, that of the first quarter which wasn't bad at all. And apprehension of what's in store after mid-year has been vastly lessened.



This optimism is supported by several factors, the auto and building booms, for instance, which show no signs of immediate slackening. Rather, they have brought back phenomena which we thought would be definitely a thing of the past. Thus we hear again of premiums on low priced cars, of grey markets in steel despite a new postwar production peak in that industry; and non-ferrous metals prices have firmed well along the line, including copper, zinc and even lead, only a short while ago a "weak sister" if ever there was one. Steel scrap, too, is strong, and steel mills are booked up way into autumn.

Behind the scramble for steel and metals is of course relentless consumer buying; if there is any doubt about it, the reader is referred to recent expressions of big corporation executives. Thus General Electric does not expect to fill consumer demand, even with capacity production, for the balance of the year. Autos in the more popular price lines are again getting scarce despite record production of the industry. The Chrysler strike helped to make a tight situation even tighter; but consumer demand for autos has been amazing. Result in many lines: No spot delivery—thirty-day waiting periods instead.

Nor do we think that business regards the current industrial tempo as merely a flash in the pan. Many companies continue expanding to boost their production capacity. Above all, the trend of incoming orders, including those for machine tools, has been highly encouraging. This means that business spending for expansion and modernization is likely to swell when other business indicators will tend to ease down next fall and early winter.

As a result of all this, business sentiment throughout the country has improved measurably in the last few weeks—particularly confidence regarding the second half of the year. But while heavy goods lines are rolling along in good style, soft goods continue to show some lag and there is nothing in sight to indicate an early reversal. This split trend may not be too important now from the standpoint of overall activity, but it is apt to place a ceiling on how far the durable goods boom can push up the general level of business activity. In other words, a pick-up in non-durable lines would enhance the prospects for the second half of the year, as well as the chance of the production index duplicating its postwar high. Barring such a pick-up, we must keep our fingers crossed.

Durables vs. Non-Durables

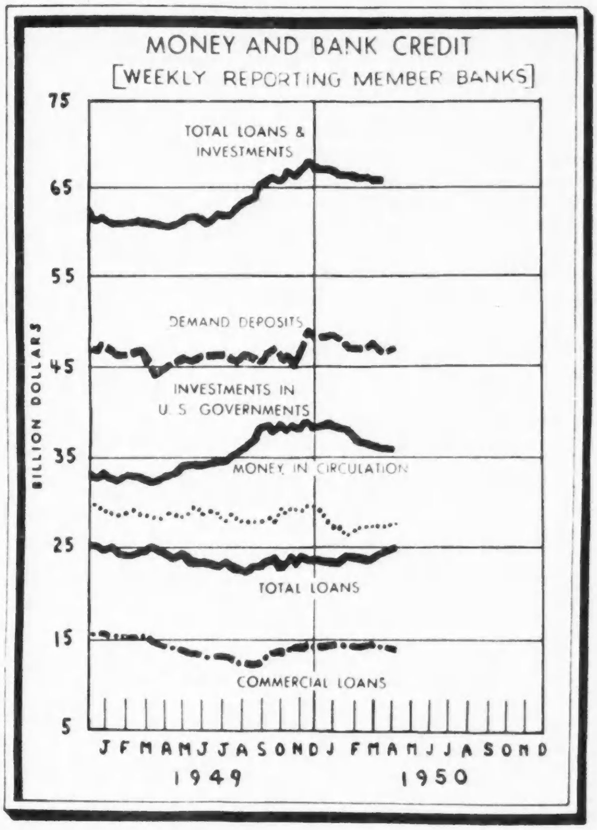
There is no gainsaying that the durables boom is largely supported by constant expansion of consumer and mortgage credit (Congress has just supplied another dose of the latter) as well as other props which chiefly stem from Government expenditures. All these factors thus are important signposts of the future trend. How far can consumer credit expand? How far and how long will Government spending stimulate? To-date, these factors have furnished much of the strength of the current business situation, but they also constitute its main weaknesses.

In all this, one should not underrate the factor of confidence—and psychology is frequently its main determinant. In both respects, we are currently doing alright. There are headaches too, no doubt, such as tougher competition, labor and Government troubles, but they are minimized by rising income and satisfactory spending trends. There have been times in the past when statistics looked equally good but confidence was lacking and the result was a sour note in business. Today, confidence exists in somewhat greater degree.

The Business Analyst

HIGHLIGHTS

MONEY AND CREDIT—With the largest volume of transactions in nearly ten years, our index of 325 active common stocks and the index of 100 high priced stocks advanced during the fortnight ended April 22 to new 1949-50 highs. Though 19 of our 46 group indexes also rose to new highs for various periods, as tabulated on the second page following, 6 of them dropped to new lows for the year. The high priced stocks have been lagging in recent weeks as the bull market enters its second phase under leadership of more speculative issues, as exemplified by the radio and TV group which has skyrocketed nearly 100% since the first of the year. New York bank stocks, on the other hand, are now back to the lowest average since February 4. High grade corporate preferred stocks advanced during the fortnight to the best average price since October 11, 1947, while the more speculative foreign government dollar bonds rose to a new high since May 17, 1947. High grade rail bonds held virtually stationary during the fortnight. While the bank-eligible Victory 2½s recovered fractionally, the restricted issue sagged to the lowest price since last June 25. With the first quarter windfall of income tax collections virtually ended, the Treasury's cash balance dropped $683 million during the fortnight ended April 19, but at $4,819 million is still $1,319 million above what is held to be a comfortable minimum. The Federal gross debt, after declining another $100 million to what will probably stand as the year's low of $255.4 billion, again rose $100 million, unchanged for the fortnight. Member bank reserve balances were down $185 million, owing mainly to sales of U. S. securities by the Federal Reserve Banks in the amount of $162 million, in a valiant effort to combat the inflationary influence of Government deficit financing. Nevertheless, demand deposits of weekly reporting member banks expanded $330 million during the fortnight ended April 12. Though commercial loans were off $74 million, total loans rose $151 million and earnings assets $45 million. Disposing of $177 millions of U. S. securities while adding $71 million to its holdings of other investments, the banks continued their policy of seeking higher yields. As of April 19, the Federal deficit for the current fiscal year had grown to $1,963 million, from $874 million at the end of March. A year ago there was a budget surplus of $2,442 million. The Government Budget Bureau foresees a deficit of $5.4 billion for the current fiscal year and $6.2 billion for next year—$11.6 billion for the two years, which is $2 billion more than its January forecast. The Congressional tax staff predicts a two-year deficit of $14 billion—$6.7 billion for the current year and $7.3 billion for the next. Either way you'll get $600 million to $800 million more red ink next year than this year. Knowing how a Government's appetite grows, we suspect that both predictions for next year may turn out to have been over-conservative. Turning now from Government to private finance, it is interesting to learn that total assets of the fast-growing mutual fund industry reached $2.12 billion on March 31—up $146 million in three months and $557 million in a year. Gross sales of shares by the 94 funds reporting totaled $140 million for the first quarter, compared with $79 million in the corresponding three months of last year. But net sales after redemptions were only $84 million, against $54 million. (Shares of mutual funds are redeemable at any time at the option of the holder.)



TRADE—Retail store sales in March were nearly 4% ahead of the corresponding month of last year under leadership of durable goods, which were up 11%. Sales of home furnishings, spurred by the building boom, rose 16%; but improvement in non-durables was merely nominal. Department store sales in the pre-Easter week ended April 8 were about even with a year ago in dollar total but slumped to 19% below last year during the post-Easter week ended April 15. This seemingly erratic behavior was due to the circumstance that Easter came a week later last year. Women's coats and dresses have been moving so slowly that prices have been marked down drastically since Easter. Our excess of merchandise exports over imports widened in February to $281 million. Our foreign trade gap for February last year was $478 million, compared with only $128 million in January of this year. Britain's adverse foreign trade balance in the first quarter approximated $196 million, against $176 million a year earlier. It is estimated that a near record number of more than 300,000 American tourists will spend a record $220 million while visiting Europe this year.

INDUSTRY—The Commerce Department reports that dividends, personal incomes and business activity rose to new all-time highs in the first quarter, and is making appropriate upward revisions in its earlier estimates of capital expenditures

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Mar.	1.16	1.04	1.24	1.55
Cumulative from mid-1940	Mar.	394.2	393.0	379.6	13.8
FEDERAL GROSS DEBT—$b	Apr. 19	255.5	255.4	251.4	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Apr. 12	46.5	46.0	45.2	26.1
Currency in Circulation	Apr. 19	27.0	27.1	27.4	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Apr. 12	8.96	9.04	8.42	4.26
93 Other Centers—$b	Apr. 12	12.79	12.86	12.38	7.60
PERSONAL INCOMES—$b (cd2)	Feb.	222	221	214	102
Salaries and Wages	Feb.	139	139	139	66
Proprietors' Incomes	Feb.	44	47	47	23
Interest and Dividends	Feb.	17	17	17	10
Transfer Payments	Feb.	22	18	12	3
(INCOME FROM AGRICULTURE)	Feb.	19	19	23	10
POPULATION—m (e) (cb)	Mar.	151.0	150.8	148.3	133.8
Non-Institutional, Age 14 & Over	Mar.	110.4	110.3	109.3	101.8
Labor Force	Mar.	63.0	63.0	62.3	57.5
Military	Mar.	1.35	1.37	1.49	1.89
Civilian	Mar.	61.7	61.6	60.8	55.6
Unemployed	Mar.	4.1	4.7	3.2	3.8
Employed	Mar.	57.5	57.0	57.6	51.8
In Agriculture	Mar.	6.6	6.3	7.4	8.0
Non-Farm	Mar.	50.9	50.7	50.2	43.8
At Work	Mar.	49.2	48.8	48.7	43.2
Weekly Hours	Mar.	41.2	41.1	41.3	42.0
Man-Hours Weekly—b	Mar.	2.03	2.01	2.01	1.82
EMPLOYEES, Non-Farm—m (lb)	Feb.	41.7	42.2	43.1	37.8
Government	Feb.	5.7	5.8	5.7	4.8
Factory	Feb.	11.5	11.5	12.1	11.7
Weekly Hours	Feb.	39.7	39.7	39.5	40.4
Hourly Wage (cents)	Feb.	142.0	141.9	140.5	77.3
Weekly Wage ($)	Feb.	56.37	53.33	55.20	31.23
PRICES—Wholesale (lb2)	Apr. 18	152.2	152.1	156.6	92.5
Retail (cdlb)	Feb.	183.3	183.8	189.2	116.2
COST OF LIVING (lb3)	Feb.	166.5	166.9	169.0	100.2
Food	Feb.	194.8	196.0	199.7	113.1
Clothing	Feb.	184.8	185.0	195.1	113.8
Rent	Feb.	122.8	122.6	119.9	107.8
RETAIL TRADE —$b					
Retail Store Sales (cd)	Mar.	10.92	9.28	10.53	4.72
Durable Goods	Mar.	3.64	3.05	3.28	1.07
Non-Durable Goods	Mar.	7.28	6.23	7.25	3.65
Dep't Store Sales (mrb)	Mar.	0.75	0.59	0.75	0.42
Retail Sales Credit, End Mo. (rb2)	Feb.	9.44	9.68	7.48	5.46
MANUFACTURERS'					
New Orders—$b(cd) Total	Feb.	18.2	18.6	16.5	14.6
Durable Goods	Feb.	8.0	8.4	6.7	7.1
Non-Durable Goods	Feb.	10.2	10.2	9.8	7.5
Shipments—$b(cd)—Total	Feb.	17.0	17.4	17.5	8.3
Durable Goods	Feb.	7.1	7.3	7.4	4.1
Non-Durable Goods	Feb.	9.9	10.1	10.1	4.2
BUSINESS INVENTORIES, End Mo.					
Total—$b (cd)	Feb.	54.2	53.8	58.8	28.6
Manufacturers'	Feb.	31.2	31.3	34.6	16.4
Wholesalers'	Feb.	9.2	9.1	9.2	4.1
Retailers'	Feb.	13.8	13.4	14.5	8.1
Dept. Store Stocks (mrb)	Feb.	2.1	1.9	2.1	1.4
BUSINESS ACTIVITY—1—pc	Apr. 15	168.0	169.6	160.3	141.8
(M. W. S.)—1—np	Apr. 15	196.0	197.8	183.8	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 163)

for this year. Expanding Federal deficit spending and organized labor's insatiable demands may be feeding a new inflation spiral, but a recent contraseasonal sag in our weekly business index suggests that the post-strike business rebound has about spent its force, for the time being at least.

COMMODITIES—Commodity prices, spot and futures, rose to new highs for the year.

Though steel ingot production has expanded to a new all-time high, less than normal seasonal improvement in several other components of our **Business Index** caused it to sag about 1½% during the fortnight ended April 15, thereby narrowing to 6.7% the margin of increase over a year ago.

* * *

Mr. Leon H. Keyserling, acting Chairman of the Council of Economic Advisers to the President, announced that the nation's physical output of goods and services (the **Gross National Product,** adjusted for changes in the price level) reached a new all-time high during the first quarter. Our readers were apprised of this six weeks ago when our own weekly Business Index (which presents the Gross National Product on a constant dollar basis) climbed to a new all-time high.

* * *

Expenditures for new **Construction** in March climbed to $1.5 billion—18% above a year ago and largest for any month on record. Non-farm dwelling starts in March numbered 110,000 units—60% more than a year ago and the largest number for any month in history. Dwelling starts during the first quarter — 270,000 units — were also 60% above a year ago and largest on record. So great is the demand for building materials that future buyers of these boom-time dwellings are going to voice loud complaints over the amount of green lumber that is being substituted behind the backs of Government inspectors.

* * *

Passenger Cars produced in March numbered 470,000—16% more than a year ago and largest for any month on record. Settlement of the Chrysler strike is expected to lift output above the weekly high of 153,000 reached last July. Meanwhile used car sales are booming at rising prices.

* * *

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1—np (rb)	Feb.	180	183	189	174
Mining	Feb.	118	130	149	133
Durable Goods Mfr.	Feb.	207	209	226	220
Non-Durable Goods Mfr.	Feb.	179	179	173	151
CARLOADINGS—t—Total	Apr. 15	707	700	766	833
Manufactures & Miscellaneous	Apr. 15	353	345	344	379
Mdse. L. C. L.	Apr. 15	85	87	95	156
Grain	Apr. 15	39	39	43	43
ELEC. POWER Output (Kw.H.) m	Apr. 15	5,865	5,898	5,343	3,267
SOFT COAL, Prod. (st) m	Apr. 15	11.3	11.5	11.6	10.8
Cumulative from Jan. 1	Apr. 15	119	108	153	446
Stocks, End Mo.	Feb.	24.5	37.1	68.8	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Apr. 15	5.0	5.0	5.0	4.1
Gasoline Stocks	Apr. 15	133	135	126	86
Fuel Oil Stocks	Apr. 15	40	40	59	94
Heating Oil Stocks	Apr. 15	37	38	49	55
LUMBER, Prod. (bd. ft.) m	Apr. 15	790	730	664	632
Stocks, End Mo. (bd. ft.) b	Feb.	7.0	7.0	7.5	12.6
STEEL INGOT PROD. (st) m	Mar.	7.44	6.79	8.18	6.96
Cumulative from Jan. 1	Mar.	22.2	14.7	24.1	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Apr. 20	186	178	107	94
Cumulative from Jan. 1	Apr. 20	3,261	3,075	2,313	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Apr. 15	171	244	145	165
U. S. Newsprint Consumption (st)t	Mar.	515	432	476	352
Do., Stocks (mpt), End Month	Mar.	576	612	655	523
Natural Rubber Consumption (lt)t	Feb.	56.6	60.0	46.3	54.3
Do., Synthetic	Feb.	31.7	34.0	34.9	0.5
Pneumatic Casings Production—m	Feb.	6.7	6.8	5.9	4.0

PRESENT POSITION AND OUTLOOK

Manufacturers' **Unfilled Orders** have picked up sharply this year. Backlogs for durable goods at the end of February were 9% above December, though still 16% smaller than a year earlier. For non-durables, February backlogs were 16% above December and 19% larger than last year.

* * *

With construction activity, automobile production and demand for other heavy goods zooming along at record pace, the growing scarcity of steel and non-ferrous **Metals** is hardly surprising. Zinc shipments in March were the largest in over a year, bringing supplies down to the lowest level since April, 1949. The price has shot up to 11 cents. The price of copper has been raised a cent since our last issue, to 19½ cents. March shipments were the largest in three years, with producers' stocks dropping to only a fortnight's supply, lowest in five years. Even lead has gone up ¼ cent, to 10¾.

* * *

Steel scrap prices are turning upward again, and a fast-tightening supply-demand situation is reviving the grey market in certain scarce **Steel** products for which some users are paying substantial premiums for prompt delivery.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cd1b—Commerce Dept. (1935-9—100), using Labor Bureau and other Data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted Index (1935-39—100). lb—Labor Bureau. lb2—Labor Bureau (1926—100). lb3—Labor Bureau (1935—100). lt—Long Tons. m—Millions. mpt—At Mills, Publishers, and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np.—Without Compensation for Population growth. pc—Per Capita Basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge Accounts. st—Short Tons. t—Thousands. *—1941; November, or Week ended December 6.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

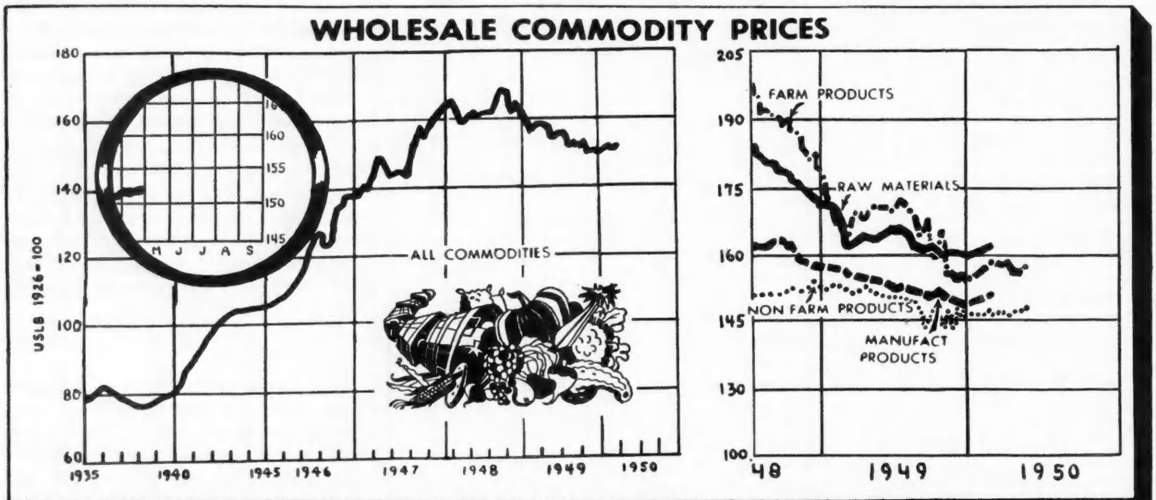
No. of Issues (1925 Close—100)	1950 Indexes High	Low	Apr. 15	Apr. 22
325 COMBINED AVERAGE	148.1	134.7	145.2	148.1B
4 Agricultural Implements	207.5	188.5	190.5	196.0
10 Aircraft (1927 Cl.—100)	213.7	170.8	211.1	213.3
6 Air Lines (1934 Cl.—100)	527.1	451.7	501.8	505.2
7 Amusement	104.4	91.5	91.5a	94.3
10 Automobile Accessories	223.4	195.6	214.0	223.4B
12 Automobiles	35.3	28.5	32.5	35.3B
3 Baking (1926 Cl.—100)	23.3	19.8	21.7	19.8a
3 Business Machines	276.5	253.4	269.9	266.6
2 Bus Lines (1926 Cl.—100)	176.6	153.0	175.6	176.6D
5 Chemicals	282.9	256.4	282.9D	282.4
3 Coal Mining	14.3	12.3	12.3a	12.7
4 Communication	61.6	41.9	57.3	61.6D
9 Construction	63.8	61.0	62.9	62.5
7 Containers	327.2	309.0	319.5	327.2B
9 Copper & Brass	90.2	80.3	85.7	90.2
2 Dairy Products	78.2	71.2	77.5	76.6
5 Department Stores	61.2	56.6	57.0	57.4
6 Drugs & Toilet Articles	204.6	185.2	201.2	204.6C
2 Finance Companies	352.1	319.9	340.6	338.3
7 Food Brands	180.9	174.5	174.5a	175.0
2 Food Stores	108.0	93.4	104.4	100.5
3 Furnishings	78.8	69.0	75.2	76.9
4 Gold Mining	753.5	642.6	663.3	642.6a

(Nov. 14, 1936 Cl.—100)	High	Low	Apr. 15	Apr. 22
100 HIGH PRICED STOCKS	91.56	86.35	91.05	91.16
100 LOW PRICED STOCKS	180.06	151.88	172.95	180.06B
5 Investment Trusts	75.9	71.0	75.9D	75.9
3 Liquor (1927 Cl.—100)	897.6	808.6	859.7	897.6C
11 Machinery	159.1	145.4	153.5	159.1B
3 Mail Order	112.5	105.4	108.7	109.6
3 Meat Packing	98.0	85.9	88.0	98.0B
12 Metals, Miscellaneous	160.4	139.9	148.3	160.4B
4 Paper	42.9	39.5	42.9B	42.2
30 Petroleum	263.2	241.8	261.8	262.0
27 Public Utilities	153.8	141.0	151.6	149.9
5 Radio & TV (1927 Cl.—100)	35.3	18.1	32.9	35.3D
9 Railroad Equipment	50.7	43.9	44.8	44.8
24 Railroads	25.3	22.3	24.5	24.8
3 Realty	33.2	30.8	32.4	32.1
3 Shipbuilding	155.1	139.7	155.1D	150.3
3 Soft Drinks	391.6	338.2	360.8	372.0
15 Steel & Iron	109.8	96.1	104.5	109.8B
3 Sugar	53.6	49.0	50.3	49.8
2 Sulphur	352.1	319.5	346.9	352.1U
5 Textiles	139.9	119.9	125.8	130.1
3 Tires & Rubber	38.2	32.0	37.6	37.1
6 Tobacco	88.2	83.3	84.5	83.3a
2 Variety Stores	352.3	342.6	352.3D	349.2
19 Unclassified (1949 Cl.—100)	106.4	100.0	106.4	105.6

New HIGH since: A—1949; B—1948; C—1947; D—1946. a—New LOW this year.

Trend of Commodities

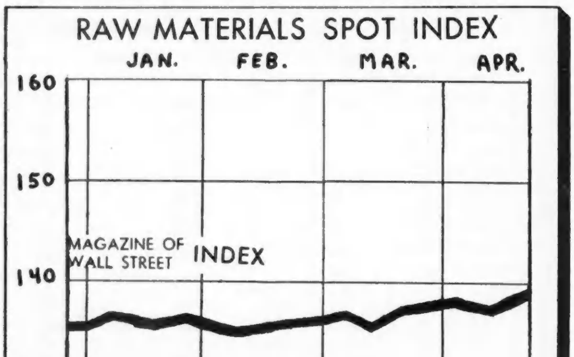
Commodity price indexes advanced to new 1950 highs during the fortnight ended April 22. Among the 14 components of our raw materials spot price index, rubber, hides and wool declined; silk, crude oil and pig iron held stationary; while the remaining eight commodities closed higher. The Agriculture Department predicts a wheat carryover from this year's crop of 450 million bushels as of next July 1—143 million more than last year, despite damage from drought and insects. Wet weather is delaying preparations for corn planting and damaging some oats already planted. Unfavorable weather conditions and a high rate of consumption help to account for strength in cotton prices during the past few weeks. Daily average cotton consumption in March, though 5% below February, was 24% ahead of March last year. The drop in total acres planted to the chief crops this year may amount to only 10.5 million, against the Government's requested withdrawal of 30 million acres. Only 6% fewer acres than last year will be planted to corn. The Government had asked for a 13% slash. Wheat acreage this year will be close to the 14% cut requested; but—the best wheat land is being retained so that the crop this year may be a little larger than last year's. Private grain storage people are charging that the Government may force them out of business before long. The Government will soon own nearly half the nation's off-the-farm grain storing facilities, more than ten times what it owned a year ago. Communist-controlled Manchuria is offering shelled walnuts, duty paid, at San Francisco for less than half the domestic price. Northwestern walnut growers are not enthused about it.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices — August, 1939, equals 100

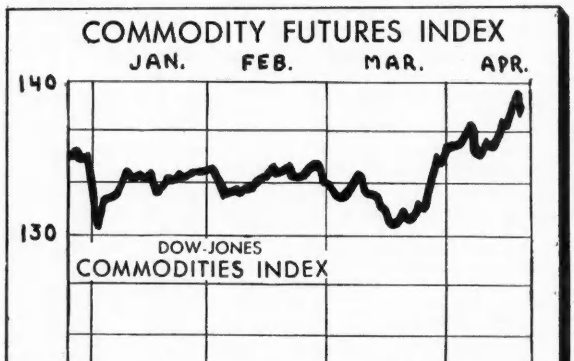
	Date Apr. 24	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	250.9	248.0	247.9	248.8	246.8	244.7	156.9
11 Imported Commodities	253.2	251.0	249.3	257.8	253.6	250.5	157.3
17 Domestic Commodities	249.4	246.1	246.4	243.1	242.5	241.0	156.6
7 Domestic Agriculture	312.1	308.5	306.1	300.2	291.9	285.7	163.9
12 Foodstuffs	316.2	311.8	310.2	308.0	300.1	279.7	169.2
16 Raw Industrials	222.3	219.2	220.0	222.4	223.8	232.0	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1950	1949	1947	1945	1941	1939	1938	1937
High	139.6	161.5	164.0	95.8	85.7	78.3	65.8	93.8
Low	134.2	134.9	126.4	93.6	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1950	1949	1947	1945	1941	1939	1938	1937
High	140.68	139.28	175.65	106.41	84.60	64.67	54.95	82.44
Low	131.21	122.45	117.14	93.90	55.45	46.59	45.03	52.03

Keeping Abreast of Industrial and Company News

The proven efficiency and economy of microwave relay systems for communications have broadened the market potentials of **Philco Corporation** for this interesting equipment that operates at wave lengths shorter than a cigarette. In time, use of these systems may replace pole-and-line communications, as the equipment can handle a number of simultaneous telephone conversations. Recently the company received an order from Humble Pipe Line Co. to install a 400-mile system of the kind, as well as another from the Santa Fe Railway for one of its important divisions.

Highlighting the worldwide interest in television, Mexico's first telecasting station is scheduled to go on the air in Mexico City this summer. The transmitter, associated studio and mobile pickup units are being supplied by **Radio Corporation of America.** The new station will be located in the 20-story National Lottery Building. In addition to studios, rehearsal halls, scenery storage space and offices, provisions have been made for a large auditorium to be used for televising concerts and stage plays.

A new method of feeding open hearth steel furnaces with scrap metal and other materials, the first major improvement since 1885, has been announced by **Armco Steel Corporation.** The revolutionary development has drawn the attention of steel industry engineers all over the nation. Standard practice has been to move long lines of scrap-laden buggies to the furnaces on tracks, in the process blocking off nearby furnaces to the detriment of production rates. The new plan uses a system of hydraulic lifts that elevate the cars or buggies from the scrap yard to position where needed in the plant. By the end of this year, Armco expects to have in operation its first scrap-hoist charging system in its East Works and estimates that charging time will be reduced by about half compared with formerly.

On April 25, a new refinery owned two-thirds by the **Gulf Oil Corporation,** and one-third by **The Texas Company** was put into operation at Puerto La Cruz, Venezuela. The new plant has a daily capacity of 30,000 barrels and will produce gasoline, furnace oil, diesel fuel and heavy fuel oil for sale in world markets.

State highway weight restrictions on trucks have created such serious problems that **White Motor Car Company** announces steps to "diet" their newest models. By turning to aluminum for wheels, the company engineers have saved 370 pounds on a ten-wheel over-the-road tractor truck, besides using aluminum for weight saving in axles. On some models as much as a thousand pounds has been shaved off by the use of aluminum, with a plus value coming from the wearing quality of the lighter metal. By eliminating a few frills here and there and taking considerable poundage off the White Super Power engine, still further progress has been made to meet the highway requirements and yet permit a truck to carry an increased payload.

E. I. du Pont de Nemours & Company have devised an effective way to publicize their "Alathon" polythene resins during the National Packaging Exposition in Chicago. Lake Michigan water will be wrapped in souvenir paper pouches to demonstrate the waterproofness of paper when coated with one of the resins. The pouches will be lined with "Alathon" and filled with water from a similarly treated paper bag, then sealed with a home-type heat sealer. By the method employed, attention will be called to the growing use of the resins for paper packaging in the food and chemical industries.

The election of John Cowles, president of the Minneapolis Star and Tribune Company, as trustee of the **Ford Foundation,** adds another outstanding personality to the already strong composition of this prominent institution. Mr. Cowles' experience in educational and publishing fields has been broad, as he is also Chairman of the Board of the Des Moines Register and Tribune Company and of Cowles Magazines, Inc., publishers of "Look," "Quick" and "Flair." Additionally, he is a member of the Board of Overseers of Harvard University, and a trustee of Philips Exeter Academy, Carleton College and of the Gardner Cowles Foundation.

An electronic humidity controller with amazing sensitivity has been developed by the research engineers of **Minneapolis-Honeywell Regulator Company.** The new control, known as the Time Modulation thermostat, can measure the vaporization of a half-tablespoon of water in an average size living room. It actually can react to the moisture in a teardrop, and its response to humidity changes is about ten times as fast as previous controllers.

New improvements in the blending of "cold" synthetic rubber and chemicals will give the motorist from 1500 to 2000 more mileage on his car tires, according to spokesmen for the **United States Rubber Company** at a recent meeting of the American Chemical Society. Under the present blending technique, carbon black, a powerful reinforcing agent, is mixed dry with rubber in powerful masticating equipment. The new "masterbatch" process consists of blending carbon black in water with rubber in a latex form and the compound is then changed with salt and acid solutions to a dry rubber with extraordinary strength that promises to extend tire life by as much as 7%.

Research is not only responsible for the development of new products but also for discovering new uses for them. Geon plastic, for example, a product of **B. F. Goodrich Chemical Company,** is the base of some

new tennis court tape introduced by a manufacturer for the first time in the United States. Ordinary cotton tapes now commonly employed will generally rot, stain or break in rather short time. In contrast, the vinyl plastic tapes are non-rotting, stay white, and are unaffected by water, acids or alkalies.

Another new product that has emerged from a research laboratory is a radically different raincoat fabric developed by the **Duplan Corporation.** The material is woven with a nylon warp and a spun tow filling which is twice as water repellent as some of the best previous fabrics, and has been adopted as standard by the U. S. Air Force. Both officers and enlisted men are to be equipped with coats made from the new cloth. Washing or dry cleaning have little effect on its water repellent qualities. Duplan is also weaving the fabric into lighter weight material for civilian use, and as it can be dyed in brilliant colors it is very desirable for women's wear.

A $27 million joint venture by **Mathieson Chemical Corporation** and the **Tennessee Gas Transmission Company** will take form as Mathieson Hydrocarbon Chemical Corporation. The new company will produce a number of chemicals from hydrocarbons contained in the natural gas stream transported by Tennessee over its pipeline network from Texas and Louisiana fields to the northern and eastern markets. Over 2000 acres of land have been purchased on the Ohio River, where chemical units to cost $17 million will be constructed and completed by the end of 1951, to be followed by another elsewhere to cost about $6 million,

Olin Industries, Inc., has announced the election of Robert W. Lea, president of **Johns-Manville Corporation,** as a director. Mr. Lea has been with JMC since 1939, serving as president since 1946. He is also a director of Curtiss-Wright Corporation, Universal Pictures Company and West Virginia Coal and Coke Corporation, and is a member of the Board of Managers of the Delaware, Lackawanna and Western Railroad Company.

Now available on a national basis is a permanent, non-discoloring and paintable wood preserver and termite repellent developed by **Monsanto Chemical Company.** Sears Roebuck and Company, the first national distributor of this chemical pentachlorophenol, is offering the preparation through its new midsummer catalog and 640 retail stores under the Sears brand name Master-Mixed. The material comes in the form of a 1-to-10 concentrate that may be diluted with recommended oils and employed for a wide range of purposes, such as for spraying or brushing fence posts, construction materials, loading platforms, decking and roofing.

A program of improvements in the Chicago and Gary, Indiana, plants of Carnegie-Illinois Steel Corporation has been announced by the parent company, **U. S. Steel Corporation.** Upon completion, the tin plate producing capacity of the Gary mill will be increased by 120,000 tons annually. To assure ample supplies of slab for the Gary unit, extensive improvements at the South Chicago slabbing mill will increase slab capacity to more than 1.5 million tons annually. How rapidly the process of tinplating has been stepped up by electrolysis is shown by the company's tinning line that will operate at a rate of 1000 feet per minute. New equipment will increase the number of these lines to four.

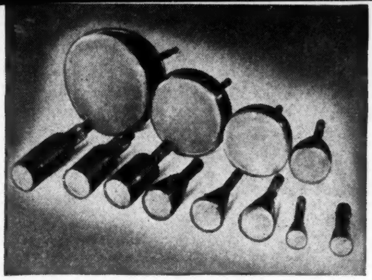
International Business Machine's famous and huge electronic "brain" now has a small brother neatly contained in two metal cases connected by a cable. Union Pacific Railroad has rented one of these new machines that is capable of solving 6000 mathematical problems an hour without utilizing any relays or moving parts in the process. It can add, subtract, multiply, divide and figure square roots or any combination of these or complete an involved equation in higher mathematics as speedily as it can add two and two. As an example of the machine's practical efficiency, it can compute 6000 payroll items an hour if given for each wage earner the hours worked, hourly rate, tax class and deductions for retirement, U. S. Savings bonds, medical plans, insurance etc. In contrast, presently used relay type calculators can compute only 800 items an hour.

Exclusive rights for the Western Hemisphere to manufacture, distribute and service an entirely new type of automatic ticket-issuing and accounting machines for railroads, bus line and airlines have been acquired by **Burroughs Adding Machine Company.** Installed at ticket windows, the new machine will automatically print tickets from blank stocks, showing the date, serial number, fare, type and class of tickets, thus replacing the large supply of pre-printed tickets presently required. The device also keeps a record of all tickets sold and maintains running totals of fares in printed form which can be taken from the machine at any time without interfering with its operation.

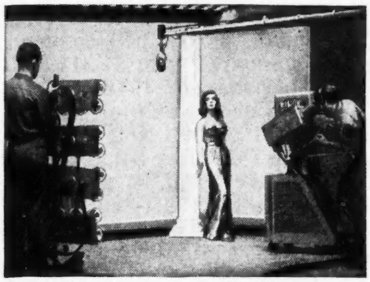
Only now officially released is some information regarding an advanced model stratojet bomber for which **Boeing Airplane Company** is now tooling up in preparation for substantial production. In appearance vêry similar to the two XB-47's now in operation and ten others in course of construction, the new models will have increased range and load capacity, droppable wing tanks and latest radar equipment. Equipped with six powerful General Electric J-47 turbo-jet engines of more than 5200 pounds thrust each, the new airplanes will have over 30% more power than the XB-47 which flew last year from Washington State to Washington, D. C. at a record shattering average speed of 607.8 miles per hour. The latest model is designed to have a maximum take-off weight of 180,000 pounds and to carry ten tons of bombs at a service ceiling over 40,000 feet.

Philco Corporation, the leading manufacturer of single room air conditioners, has just announced development of the finest line of these devices the company has ever offered to the public. At least ten new models with advanced styling are included in the line, offering a wide range of choice in size and selection for special purposes. Extremely quiet in operation, these new room conditioners provide cool, filtered and dehumified air in sultry summer weather, beside shutting off street noises and dirt.

On the heels of the recently announced resignation of Arthur S. Barrows as Under Secretary, United States Airforce, comes news of his appointment as full-time consultant in merchandising and operations with **Gamble-Skogmo, Inc.** of Minneapolis. By this step, his new connection will get an executive with an unusual background of experience, for Mr. Barrows was formerly president of Sears Roebuck & Company, with which firm he was associated for 21 years prior to his entry into Government service. Before joining the Airforce, he acted as deputy director of the Economic Division of the U. S. Military Government in Germany under General Lucius Clay.



Pioneer in cathode-ray tube development, Du Mont is the largest producer of the new 19-inch Life-size picture tube.



Pioneer in telecasting, the Du Mont-owned stations in Pittsburgh and New York were the first television stations to show a profit.

Pioneer in telecasting equipment, Du Mont has designed and equipped many stations.

The Du Mont Bradford, with the Life-size screen.

The Du Mont Rumson. The world's finest mass-market receiver.

*Trade mark

the story of TELEVISION is the story of Du Mont

Du Mont has been in television since 1931; and it was Du Mont's development of the cathode-ray tube that pulled television out of the laboratory and put it into the home. Du Mont marketed the first home television receivers (1939); and was first on the market with a line of fine postwar receivers (1946); and operates the *world's largest television assembly plant* (1949). Du Mont also operates a national television network. It is the one company that is in every phase of television, and only in television. Pioneer in receiver manufacture, Du Mont Telesets* are generally accepted as the world's finest in performance, appearance, and dependability.

Big-screen direct-view television

Of course you want a big screen . . . but Du Mont also gives you a clear, sharply detailed, undistorted picture on its big screen. And every Du Mont also includes static-free FM radio.

Compare Du Mont with any other. Compare clearness, brilliance, and size of picture. Compare tone. Compare cabinetwork. Compare full-range tuning for radio fans. See what you should expect of a television receiver.

DUMONT

first with the finest in television

Allen B. Du Mont Laboratories, Inc. • Home Office, 750 Bloomfield Ave., Clifton, N. J.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

B. F. Goodrich Company

Please advise on recent earnings, dividends and new products of B. F. Goodrich Company. O. M. Cumberland, Md.

Net sales of B. F. Goodrich Company for 1949 amounted to $387,918,386 compared with $419,798,703 in 1948. This indicates a decline of 7.6% in sales for the year.

After provision for all charges, including taxes and depreciation and after providing reserves of $4 million for increased replacement costs of facilities, and $1 million for foreign losses and other contingencies, net income amounted to $20,935,738, or $14.36 per share of common stock outstanding after deducting the regular $5.00 dividend on preferred shares. The corresponding net income for 1948 was $23,740,705, which amounted to $16.57 per common share, after reserves of $8 million.

Dividends paid during the year were $5.00 per share on preferred stock, and $5.50 per share on the common stock. The latter amount included an additional dividend of $1.50 at the year-end.

The company redeemed on March 3, 1950, 100,000 shares of its $5.00 preferred stock.

By the end of 1949, the company's Tubeless Puncture-Sealing tire was available for sale to motorists in six districts which service 19% of the vehicles in the United States. It is expected that this tire will be available to all the motorists in the country during the last half of 1950.

A new thermosetting resin type adhesive, effective in bonding certain other materials to metal was developed. Present application in the bonding of brake lining to brake-shoes without the use of rivets doubles the life of brake linings.

The new plant in Akron expanding and improving the manufacture of rubber belting will be completed and in operation during the last half of 1950.

Company started production in its new general chemical plant at Avon Lake, Ohio, in 1949 and had completed conversion of equipment for production of 30,000 long tons a year of "cold rubber" by the "continuous" process at the Port Neches, Texas, plant owned by the Government. This material, representing the most important recent advance in man-made rubber, is a development on which the B. F. Goodrich Company did the basic work and filed patent applications before Pearl Harbor.

Reflecting the 12% increase in sales for the March 1950 quarter over the same period a year ago, net income also bettered a year ago.

Fairchild Engine & Airplane Corporation

Please furnish data on Fairchild Engine & Airplane Corp. as to order backlog, sales volume, net income and working capital. J. A. Akron, Ohio

Sales of Fairchild Engine & Airplane Corporation for 1949 totaled $48,101,453 and this compares with $30,473,976 in 1948. Net income last year was $1,575,328, equal to 67¢ per common share, compared with $1,211,563, or 52¢ per share in 1948.

Unfilled orders at the year-end were $80,100,000. Net working capital on December 31, 1949 had increased to $14,687,043 as against $12,705,948 for 1948.

The company is now operating primarily as a military contractor. Military contracts are not for standard types of airplanes, missiles or engines, but fulfill highly specialized needs of the various military services. The company has an established position in the fields of cargo aircraft, atomic energy for flight, guided missiles, missile guiding systems, airplane air-conditioning and pressurization, and missile engines, industrial mobilization planning and bimetallic bonding.

A management reorganization became effective last year following the election of a new board of directors on July 13 by an overwhelming vote of the stockholders. The changes affected the principal corporate officers only.

A dividend of 35¢ per share was paid in 1949.

Gamble-Skogmo, Inc.

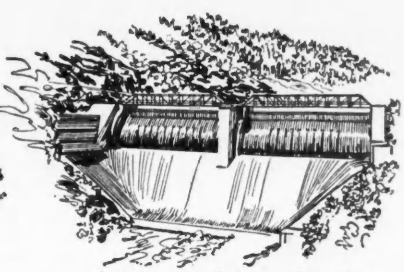
I understand that Gamble-Skogmo, Inc. lost money last year. Will you please give the reasons for this loss? How many retail stores does the company operate? C. M. Bethlehem, Pa.

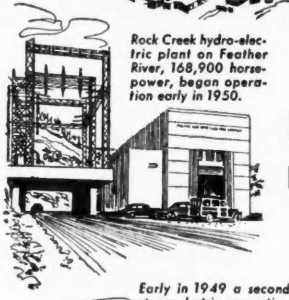
Net sales of Gamble-Skogmo, Inc. last year were $123,778,454 and this was a decline from the 1948 sales of $152,371,416. A net loss of $287,176 was shown for 1949, compared with earnings of $3,788,566 in 1948, equivalent to $1.47 per share.

The reasons for the decline in sales and net revenues in 1949 were as follows: Early in the year, inventories were sizable and since commodity prices were declining, the company considered it prudent to reduce inventories and pay off bank loans. The purchase of many slow moving items ceased, and many of the discontinued items on

(*Please turn to page* 178)


Gas storage holder with capacity of 17 million cubic feet was completed and placed in operation in 1949 at Point Richmond.


Cresta Dam across Feather River Gorge where water is diverted to operate Cresta Power House down stream. Completed in 1949, these facilities add 100,536 horsepower to system capacity.


Rock Creek hydro-electric plant on Feather River, 168,900 horsepower, began operation early in 1950.

PACIFIC GAS AND ELECTRIC COMPANY

Highlights of the Year's Operations . . . 1949

Gross operating revenues established a new record of $217,225,000. The increase over the previous year was $12,983,000, or 6.4%.

Sales of both electricity and gas reached new peaks, electricity increasing 13% and gas 2%. Sales of electricity totaled 10,172,000,000 kilowatt-hours, and sales of gas 166,178,000,000 cu. ft.

Service was extended to 113,655 new customers. At the year-end 2,259,215 customers were being supplied in all branches of our operations.

Construction expenditures totaled $192,480,000 as the Company reached the peak of its six-year postwar expansion program.

Construction started on a 34-inch pipe line to transport Texas and New Mexico gas into Northern California—the largest diameter pipe line ever built for high-pressure transmission of natural gas.

New securities with a par value of $136,010,025 were issued and successfully marketed to carry forward our postwar expansion program.

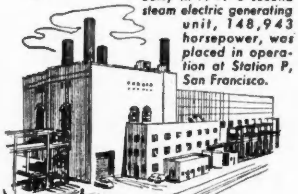
There was a gain of 6,208 in the number of those participating in ownership of the Company. At the year-end, the Company had 160,467 stockholders of record.

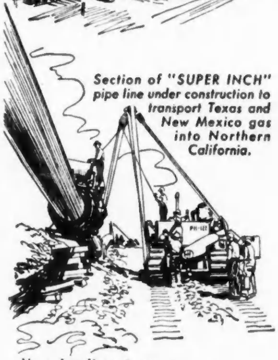
The California Public Utilities Commission granted an increase in gas rates, totaling $4,000,000 a year, effective November 28, 1949—our first increase in gas rates in twenty-nine years.

In October the Company made application for an increase of 6% in electric rates, or $8,820,000 a year. It was granted effective April 15, 1950, and is the first increase in our electric rates since 1920.

Net earnings for the common stock were $2.10 per share, based on average shares outstanding. The increases in rates, together with better operating efficiencies, continued business growth and prospects for more normal precipitation, are expected to raise earnings to more satisfactory levels in 1950.

President


Early in 1949 a second steam electric generating unit, 148,943 horsepower, was placed in operation at Station P, San Francisco.


Section of "SUPER INCH" pipe line under construction to transport Texas and New Mexico gas into Northern California.


Moss Landing steam electric generating plant under construction on Monterey Bay. Capacity 402,144 horsepower.


Contra Costa steam electric plant, scheduled for completion in 1951.

PACIFIC GAS AND ELECTRIC COMPANY 245 MARKET STREET SAN FRANCISCO, CALIFORNIA

A copy of our 1949 Annual Report to Stockholders will be supplied upon request to E. J. Beckett, Treasurer.

Increasing Competition in the Liquors

(*Continued from page* 151)

the company's own plants. Accordingly, costs rose disproportionately to sales with the result that margins narrowed.

An increase in aged spirits has enabled the company to reverse this trend this year. Net income in the six months ended January 31 rose to $2.59 a share from $2.26 in the first half of last year, suggesting that profits for the year ended next July may approach $5 a share, against $3.96 in 1949. Continuation of such improvement would raise hope of further dividend generosity. Payments are being made currently at the rate of 30 cents quarterly, subject to 15 per cent non-resident taxes. An annual rate of perhaps $1.50 a share would appear a reasonable hope now that costs appear to be declining.

Schenley Industries ranks second in size in sales with a total of $462 million reported for the fiscal year ended August 31, 1949, against $460 million in the preceding year. After excise taxes, net sales were reported at $203.5 million last year, against $196.7 million in 1948. This company's operations are more diversified than its principal competitors, for Schenley has important wine production and owns the widely known Blatz brewery of Milwaukee. Keen competition in blended whiskies has found reflection in a greater-than-average decline in this company's sales in recent years.

Decline in Net

Net profit dropped to $6.73 a share for the 1949 fiscal year from $8.20 in 1948 and from the 1946 record of $13.58 a share. Earnings are continuing in a downtrend this year, with results in the November quarter dropping to $2.42 a share from $3.30 in the previous year and for the first six months to $3.02 from $4.77 a share in the corresponding period of last year. Organizational changes have raised hopes of a more satisfactory showing for the remainder of the year, and net profit may approach $4.50 a share for the current fiscal year. Dividends have been paid for several years at the current $2 annual rate, and maintenance of distributions on this basis would appear warranted.

National Distillers Products ranks close to Schenley in whiskey sales with volume for 1949 (calendar year) at $362.4 million, against $351.6 million in 1948. Eliminating excise taxes, net sales increased last year to $181.2 million from $172.7 million in the previous year. National is regarded as the leading producer of "straights" for which a good demand is evident. Aggressive promotion of blended whiskies recently has been undertaken.

Net profit declined last year to $3.03 a share from $3.37 in 1948 and from a peak of $5.01 a share in 1946. Conservative management has maintained a strong financial position and sales activities appear to have been well managed. Despite keener competition in blends and the threat of a tapering in profit margins on "straights," earnings this year may be expected to compare favorably with 1949 results. The $2 annual dividend, which has been maintained since the 3-for-1 split in 1946, appears to be adequately covered unless competition should become more disturbing than at present.

The other member of the so-called "big-four" in the industry is Hiram Walker - Gooderham & Worts, Ltd., which has maintained a strong competitive position with a comparatively few but widely esteemed brands. Sales declined moderately last year to $294 million for the fiscal year ended August 31 from $310 million in 1948. After taking out taxes, net sales amounted to $110.3 million last year and $111.4 million in 1948.

Earnings stood up well last year at $8.19 a share, against $8.62 in 1948 and are showing moderate improvement in the current fiscal year. For the first six months ended February, net profit came to $4.90 a share, against $4.73 in the first half of last year. At this rate, earnings for 1950 may compare favorably with record results of 1948. This trend has enabled the company to take steps to strengthen in financial position through repayment of almost $17 million debentures May 1. Adoption of a more liberal dividend policy than the 60 cents quarterly rate in effect for almost a year would seem a reasonable hope.

Shares of leading distillers have participated to some extent in the stock market's advance in the last year, but prices are well below 1946 peaks and the group has attracted comparatively little public interest. Although the industry is regarded with disfavor by some investors, chiefly for personal reasons, the stocks are thoroughly seasoned and have appeal for those willing to assume ordinary risks involved.

Movie Outlook Continues Obscure

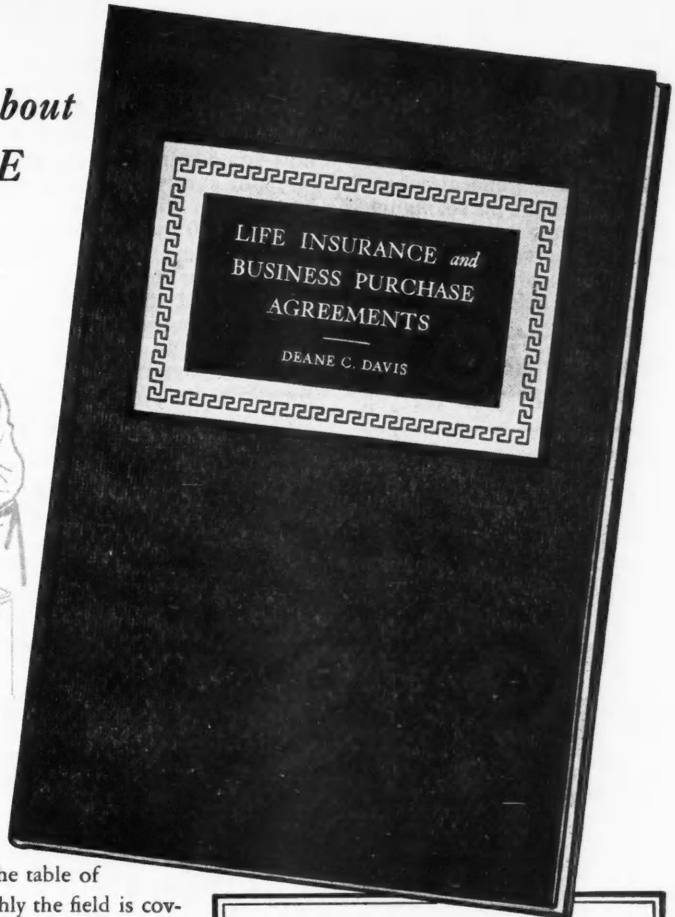
(*Continued from page* 157)

favor. In the absence of pro forma figures it is impractical to appraise earnings potentials or dividend prospects as yet for either the new picture company or the theater chain. A favorable factor for the latter, though, will be that the chain will be reduced in size to comprise a string of almost exclusively first-run theaters in populous centers throughout the country.

Despite a decline in theater attendance, Twentieth Century-Fox experienced a relatively satisfactory year in 1949 and is expected to progress in the current year. Net earnings of $4.28 per share last year were virtually the same as in 1948. This company has the largest productive facilities in its field, besides controlling a large chain of theaters through National Theatres, a subsidiary. The company's management is so efficient that when its divisions are eventually segregated, continued confidence in their operations is warranted. Pending this event, shareholders seem well assured that quarterly dividends of 50 cents a share will be maintained.

Loew's, Inc., a fully integrated producer of films with widespread distribution facilities, has established a notable record of profitable operations and has paid dividends without interruption since 1923. In the fiscal year ended August 31, 1949, earnings of $1.31 per share compared with $1.03 in the preceding period. Now that high-cost pictures have been largely written off and margins have been widened by reduced amortization charges, earnings for fiscal 1950 should rise, as indicated by a reported net per share of 97 cents for 28 weeks ended March 16, 1950. The strong trade position of Loew's and its successful record improve the quality of its shares and after segregation of its properties, the two new companies that would emerge will likely give a good account of themselves. Meanwhile quarterly dividends of 37½ cents a share should be maintained.

"This book* answers your questions about BUSINESS PURCHASE INSURANCE"



HERE AT LAST, in one handy volume of only 70 pages, is finger-tip reference to all phases of that increasingly popular form of business protection — business purchase insurance. A glance at the table of contents at the right will show you how thoroughly the field is covered. Deliberately written in a clear, concise style, the book is readily understandable to the layman. At the same time, it should prove invaluable to counsel who are called upon to draft business purchase agreements, or to deal with the tax phases of life insurance.

The author is Vice President and General Counsel of the National Life Insurance Company and a widely recognized authority on his chosen topic. Insistent demand for this work soon exhausted the first printing. This is the second edition, brought up to date with recent rulings and cases in point, as well as considerable matter not included in the original.

ABBREVIATED TABLE OF CONTENTS

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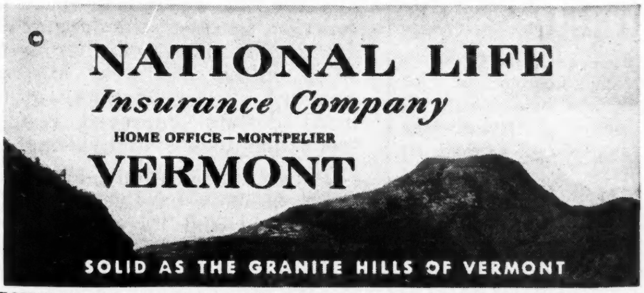


FOUNDED 1850 · A MUTUAL COMPANY · OWNED BY ITS POLICYHOLDERS

The many cross currents that confuse the outlook for the movie industry understandably complicate market appraisals of motion picture shares which consequently have been on the cautious side, with the stocks lagging considerably behind the general market. This below average performance is likely to continue until appearance of more conclusive signs that current problems are well on the way to satisfactory solution.

The Television Race—Who Will Win It?

(*Continued from page* 154)

of larger cathode ray tubes may moderate the contraction in margins, because of reduced costs. Over the longer term the most experienced companies in the field should benefit from good cost controls and find it possible gradually to reduce prices by simplifying circuits and the general construction of their sets. The main impact on margins for some time to come will stem from heavily increased outlays for advertising, as shown by plans of several concerns to spend as much as 75% more for promotion in 1950 than last year.

In studying the various components of the industry, it should be realized that most of the concerns have a diversified output, ranging from radio to the multitude of products manufactured by such concerns as Westinghouse and General Electric. Although the latter furnish heavy competition in television and are prominent in its development, this percentage of their total business is relatively small.

Allen B. Du Mont Laboratories, Inc., represents about the only large company in the field that concentrates solely on television, and it has expanded substantially to keep abreast of the industry's spectacular progress. Indubitably this concern will share fully in the prospective growth of video; it manufactures both telecasting equipment and receiving sets and operates one of the major telecasting networks. The company's activities in research have been outstanding, and are well coordinated with those of the motion picture industry, since Paramount Pictures Corporation has a sizable financial interest in Du Mont. Indicative of Du Mont's dynamic growth has been a fourfold expansion in sales within three years, with a substantial uptrend continuing in the first ten weeks of 1950. Net earnings of $1.49 per share in 1949 compared with 28 cents in 1947 and $1.29 in 1948.

Radio Corporation of America has maintained a leading role in television, as well as in radio and phonograph manufacture, besides having an important subsidiary in National Broadcasting Company. These elements contribute to a well rounded picture in television activities, including all their promise and current handicaps. RCA seems sure to maintain its dominant position in the industry, although the current sharply advanced prices of its shares may have quite adequately discounted foreseeable earnings prospects.

Admiral Corporation that ranked far down the line in prewar as a radio manufacturer, has forged spectacularly ahead in the television industry, and in set production is challenging the established leaders. Under last year's favorable conditions, volume rose 65% and net earnings soared even more rapidly to $4.12 a share from $1.82. In the first quarter of 1950 earnings of $2.08 per share compared with 77 cents a year earlier, reflecting greatly increased output and sales. The earnings of Motorola, Inc., have also trended upward in a scarcely less significant spurt. In contrast, however, the drag of reduced radio sales or of other diversified output last year lowered earnings of a good many other firms despite improved results from their television divisions.

Philco Corporation's long and very extensive experience in the radio field and its strongly entrenched trade position, should benefit its progress with television. A diversified output of refrigerators, freezers, ranges and air con-

ditioners should aid in stabilizing volume over the long term. The company not only has the know-how to keep abreast in the development of video but ample facilities and working capital as well. As yet, Philco has not reported first quarter of 1950 results, but has hinted that earnings may establish a record high for the initial three months, and incoming orders suggest that volume this year may exceed $250 million compared with $214.8 million in 1949.

Television parts makers manufacturing such components as tubes, cabinets, condensers and resistors have benefitted broadly from a record demand, and currently their output is running about double that of a year earlier. So many tubes are used in video sets that replacement demand alone should be a stabilizing influence in this branch of the industry; as many as half a million replacement tubes may be needed this year, aside from about 450,000 monthly for new sets.

We are certain that our readers will find unusual interest in studying the appended statistical table listing 17 concerns identified with the television industry, though some only partly or indirectly. Aside from a few spectacular earnings gains last year, the data presented reveals only moderate improvement by some of the stronger concerns, and actual declines in some instances. Granted that 1950 will bring somewhat more encouraging earnings to the group as a whole, the uniformly sharp advance in shares prices from their 1949-50 lows seems quite excessive in the majority of cases as far as the discounting of more immediate prospects are concerned.

Current yields here and there may be moderately improved this year from the significantly low levels indicated by our table, but even so will hardly match those of many sound shares in other industries. In other words, the buyer of video shares at current prices in most cases is paying a heavy premium for prospective future growth.

Above all, it should be realized that once the current boom in television subsides, the more strongly situated concerns will provide competition likely to eliminate many others from the field or reduce their stature and earning capacity substantially. Furthermore, the survivors may retain a substantial proportion of earnings to carry on their growth, thus dividend policies may likely be conservative. After studying the broad picture, it seems probable that in due course a shakeout in television shares may occur, in which event investors desiring to include the most promising equities in this division will have an opportunity to pick and choose more advantageously.

Greater Productivity — From Modernization — From Expansion

(*Continued from page* 135)

earlier this year predicted a volume drop to $295 million from $350 million last year, reflecting a reduction in business levels generally and farm income specifically. Greater efficiency resulting from new facilities explains why any profit decline is expected to remain nominal. Doubtless there are other such cases, as study of 1950 earnings reports will reveal. This trend already became evident last year. To the extent that it will help stabilize corporate earnings in the face of fluctuating sales volume, it can become an important investment consideration.

For Profit and Income

(*Continued from page* 161)

However, stocks cannot be properly appraised on price alone. For instance, a man's suit may be a good buy at $75, while another suit, because of inferior quality, might be over-priced at $40. How high are stocks in relation to stock values? In terms of average current earnings per share, stocks are much cheaper than they were at the 1946 high, moderately dearer than they were at the 1948 high. In terms of net working capital, they are moderately cheaper than at either the 1946 or 1948 highs. However, the writer prefers dividend return as probably the best single measure of value. In terms of average current percentage yield, fair-to-good industrials are very much cheaper than they were at the 1946 high, or at the 1948 high. In short, there is a statistical case for higher stock prices. Unfortunately, the matter is not that simple. Statistics have only a partial bearing. To a much greater ex-

tent, stock prices are determined by what people think, hope and fear — by "psychology." One cannot have much conviction as to where the market may be three months or six months hence, because "psychology" cannot be projected very far with any real assurance.

What are We Going To Do About *Strategic Spain?*

(*Continued from page* 145)

often fixed by arbitrary officials in the Ministry of Commerce in conjunction with the Money Institute. It happens that, for the very same commodity one firm is obtaining an exchange rate amounting, for example, to 50 pesetas to the £, while his next-door competitor may obtain as much as 150 pesetas because he succeeded in *finding the right contact and the right person to submit his case to the officials who fix the cambio."*

As will be seen from our tables, we bought from Spain in 1949 about $25 million worth of goods, or about $10 million less than in 1948. In both years, canned olives and olive oil accounted for some 60 per cent of the total trade, the remainder consisting of wines, cork, sardines, metal alloys (tungsten ore), and spices.

As to our 1949 exports to Spain, they reached $50 million, and were thus $25 million higher —by exactly the amount of the Chase National Bank loan—than the imports. As will be seen, more than half of the Chase Bank loan went into purchases of cotton (previously Spain was buying cotton in Brazil and Egypt); for the remainder was bought wheat, and vegetable oils (cottonseed oil). The purchases here of petroleum products and motor vehicles fell off.

What about the future? Should we let the Franco Regime stew in its own juice and hope that a further deterioration of economic conditions will start the Generalissimo transforming Spain into a democracy similar to our own? Or should we rush and grant loans right and left — partly to get rid of our surpluses — and hope for the best?

Neither course would be right. In following the first one, we would run the risk of losing Spain to the East. In following the second course, we would certainly like to have a say as to how the money is to be spent. Moreover, unless Spain reorganizes her currency and liberalizes her present trade regulations, there would not be any hope of long-lasting benefit to Spanish-American trade.

What we are now doing is probably the best policy: Re-establishment of a more normal political and economic relationship; helping out with a small loan here and there; encouraging the private entrepreneur in Spain by acquainting him with American "know-how" and, above all, encouraging moves toward the reform of agriculture and the liquidation of illiteracy.

At the same time, we ought to realize that General Franco, who was made the lifetime Chief of State back in 1947, is here to stay, perhaps in the long run, for the good of Spain as well as the rest of the Western World. Who knows what the alternative to the Franco Regime would be, in view of the lack of education and in view of the violence of the Spanish character. A great majority of the Spaniards would be in no mood for a change, were it not for the steadily declining standard of living and seeming lack of hope for improvement. "Better the devil we know than the one we don't," runs an old Spanish proverb, which may well be also applicable to the West's relation with Franco.

The generalissimo is, of course, not a young man any more, and like the "man in the Kremlin" he must have given some thought to the problem of succession. The eventual ending of the present military dictatorship and the handing over of the Government reins to a consitutional monarchy is generally thought to be in his mind. Meanwhile, short of re-establishing a more democratic regime, the best service he can render his country is to prepare it for a democratic regime in the future and to continue with long-overdue social and economic reforms.

That a shift in the U. S. attitude towards Spain may be under way is seen in the latest developments. While the Senate rejected a proposal to lend Spain $50 million under the foreign aid program, the Administration has invited the country, in effect, to apply for a regular loan from the Export-Import Bank.

Trends in First Quarter Reports

(*Continued from page* 139)

pany in January and February was strongly reflected in the company's first quarter earnings. Net income of 20 cents a share for the period was mainly earned in March and compared with 66 cents a share in the first three months of 1949 and 54 cents in the December quarter. A combination of unusual conditions adversely affected this prominent manufacturer of industrial equipment, including held-up orders because of the steel strike, temporary fuel shortages and alteration of facilities that handicapped production. As a result of these factors, shipments in the March quarter declined to $11.2 million or 35% less than in the same 1949 period, thus pinching margins rather severely. Incoming orders in the first three months, though, improved substantially, increasing the company's backlog orders to $22 million and holding promise of higher

activity for the rest of 1950. The management expects increased volume and earnings in the second quarter and probably also in the last half of the year.

In contrast to suddenly curtailed demand for textiles early in 1949, an increased amount of incoming orders late in the year built up backlogs for numerous textile producers in the forepart of 1950. First quarter volume of $53 million of Celanese Corporation, for example, closely matched the $53.6 million reported for the December quarter and compared with $47 million and $26.6 million for last year's March and June periods respectively. Thus whereas the company reported a deficit of 11 cents a share in the 1949 June quarter, it now has earned $1.65 per share in the first three months of 1950 or slightly more than in the December quarter when volume was a bit higher. Sales of yarn are still on allocation, with production for April completely sold and bookings for May coming in strongly.

American Woolen

In the woolen division of the textile industry, on the other hand, conditions were quite unsatisfactory in the first quarter. A reported volume of $27 million in the period by American Woolen Company contrasted discouragingly with $40.8 million a year earlier, and indeed was smaller than in any of the 1949 quarters except for June. After allowing for preferred dividends, a deficit of 3 cents a share resulted for the common stock.

How sensitive the earnings of this dominant producer of woolen goods are to variations in sales is shown by a deficit of 89 cents a share on volume of $25.9 million in the 1949 June quarter, compared with a profit of $1.25 on sales of $40.8 million in the first three months of last year. The modest deficit in the recent quarter of 1950 indicates some progress towards better cost control and an apparently lower break-even point, but the company still has much to cope with in facing high operating expenses, record costs of wool and increased competition from other fabrics.

As stated early in our discussion, the earnings experience of concerns in the steel industry in the first quarter was diverse, though many of the larger units at

this writing have not yet issued their interim reports. The March quarter net of Armco Steel Corporation, a leading producer of sheets and stainless steel, rose rather sharply to $2.99 per share, almost 50% higher than in the best quarter of 1949. While figures on recent volume are not yet available, the company apparently was favorably situated to maintain production during the coal strike. Continental Steel Corporation, a smaller concern forced to report a deficit in the December quarter due to radically lower sales of only $2.7 million, forged rapidly ahead after the turn of the year by pushing volume for the March quarter up to $8.6 million and per share earnings up to $1.68, both well above any of the preceding four quarters.

"Big Steel"

Main interest in the steel industry of course centers on the report of U. S. Steel Corporation. While net sales of Big Steel in the first three months of 1950 amounted to $634.7 million, this was $30 million less than a year earlier. Had it not been for price increases of an average of $3.82 a ton in December, the March quarter volume would have been somewhat smaller. In the face of difficulties created by the coal strike, though, the company operated at an average of 94.5% of ingot capacity in the first quarter and since then, the ratio has risen further.

Furthermore, despite the fact that approximately one quarter of the estimated annual cost of $78 million for pensions was charged against earnings, net income for the period in relation to sales was 7.8% compared with 7.5% in the corresponding quarter of 1949. Thus in reflection of improved cost controls, net earnings of $1.64 per share came very close to the $1.67 reported for the first three months of last year. In the first quarter, the company spent $38 million for improvement of facilities, lifting total postwar expenditures to $913 million. The management anticipates further progress in the second quarter but cautions that demand for steel may lessen somewhat in the second half year.

Earnings of Westinghouse Electric Corporation in the first quarter were reported as 87 cents per share compared with 79 cents in the related period of 1949, although net sales of $223.9 million were about $2.7 million smaller than a year earlier. Total sales of the company's appliance division topped $40 million in the three months, exceeding earlier expectations by a wide mark. Production in this division is being main-

tained at the highest rate in the company's history, as demand for television sets, refrigerators, electric irons, etc., continues at record levels. Activity in the heavy equipment division is also heavy, and backlog orders assure large scale production for more than a year to come.

It is interesting to note that the experienced management of Westinghouse Electric, however, has cautioned stockholders that while the outlook is exceptionally bright for the long pull, some recession in activity after mid-year should create no surprise. The conservative feeling was expressed that 1950 may not be quite as good a year for Westinghouse as was 1949, although it may not be far behind. Looking further ahead, Gwilym A. Price, president, pointed out as constructive factors the nationwide production of capital goods, now running at a rate more than double the 1935-39 average, and that physical output of consumer durable goods is comparably higher by 80%.

Stockholder and Worker Partnership

(*Continued from page* 137)

It is of course quite natural for the wage bill to exceed by a considerable margin the amount of dividends paid, for the workers after all are those who produce the goods, the sale of which creates profits. It is no more than fair that they be adequately paid for their labor, and for their contribution to the "community of interests" which a corporation represents. The important thing is that the contribution of all parties must be seen in the proper light, and properly evaluated and recognized. That is, neither labor nor Government should claim more than a fair share of the profits of business. If they do, profits will shrink and soon there will be no more profits to claim. Venture capital will simply be driven out. There is no point in risking one's savings merely to have the fruits of such venturing virtually confiscated, and be called exploiter and profiteer to boot.

The Worker-Stockholder

A good way of bringing home these truths to the worker is to have him become a stockholder, and corporations should neglect no opportunity to swell the ranks of their stockholder-workers, for ownership of stock makes for increased personal interest in the business, for better appreciation of management problems, for better understanding of the need of stockholders to get a fair return on their investment. And when it comes to urging worker-ownership of stock, it is just as well for management to lead.

No company can expect to encourage its employees to invest in its stock unless management is willing to do likewise, and unless it has established a successful record. It is up to the corporations to be good salesmen of the values of free competitive enterprise. There is no denying, that the appeal to employee stockholders of income supplementing their wages, both deriving from their own skill and activity, is practical and highly educational, an antidote to radicalism and a strong instrument for promoting realistic knowledge of the way competitive enterprise works for the benefit of workers as well as the nation at large.

Right now, there is a great deal of anxiety about the prospect of mounting unemployment, the result of our growing population which, it is estimated, will produce a normal influx into the labor market of some 700,000 newcomers seeking jobs each and every year. To provide such jobs requires a growing economy; they have to be developed by expanding business and industrial facilities.

The cost of equipping for each new job varies considerably among different industries, but on an average it has been estimated to cost somewhere between $8,000 and $12,000 to provide the facilities and tools for each worker. That means that American business must find investment or venture capital amounting to 700,000 times an average of $10,000, or a total of $7 billion, just to provide the new jobs needed every single year to maintain nearly full employment. That's a large order.

It cannot be undertaken without the support of an understanding and cooperative Government, and without constructive support of labor which has the greatest stake in its fulfillment. There must be unity and cooperation among the partnership of management, labor and Government, and there must be fullest appreciation of the basic role which venture capital—stockholders—is to play in such an immense undertaking.

If venture capital is to carry out its job-making function, it cannot be subordinated; rather we must promote whatever will help to strengthen this great job-making force. We cannot afford to place more hurdles in its path. This means above all that stockholders be assured of adequate rewards for their risk, just as labor insists on fair wages. Both as to their contributions, responsibilities and rewards, there should be full understanding and a real working partnership.

As I See It!

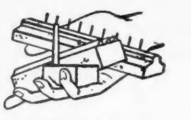
(*Continued from page* 129)

cannot retain their liberty and still be half-committed. Mr. Hoover's words have done much to crystallize this thought in compelling fashion. The hope is that they may lead to actions which will lessen the dangers to the freedom-loving peoples and permit the building of a better and safer world.

Answers to Inquiries

(*Continued from page* 170)

hand in stores and warehouses were sold at reduced prices which, in turn, influenced sales volume and operating results. Expenses could not be reduced as rapidly as sales declined, with result that operating losses were sustained. Moreover, a decline in sales and earnings was experienced generally in the retail field last year.



Weighing the assets behind each share

Profit from New Potentials in

LOW-PRICED STOCKS

Measuring earnings and dividends

IN view of the recent action of low-priced stocks, this message is of special significance to all investors.

As you know, in all primary market movements, there are phases when selected low-priced issues may be purchased with high expectations of large percentage profits. It is growing increasingly evident that such stocks may now be revitalizing their lagging tendencies and will outgain the general market over the balance of the year.

THE INVESTMENT AND BUSINESS FORECAST of The Magazine of Wall Street is designed to aid you as an investor. But, because low-priced shares have *huge profit advantages*, especially during certain times, we have undertaken exhaustive studies with a view to using equities in the lower price ranges in *expanding the productive power of your capital.*

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Low priced stocks vary just as much in quality and in profit and income prospects as do securities in any other price category. Some "cheap" stocks are not worth the few dollars at which they are quoted. Others are strong, undervalued growth situations with considerable intrinsic merit.

Convinced of the outstanding profits that well selected low-priced stocks offer, THE FORECAST devotes a complete program to such growth companies—strategically placed—which have realistically adjusted their positions to the 1950 outlook.

Our records show 3 to 1 gains in low-priced shares

Research through the years shows that the 100 most active low-priced common shares—which we have priced and charted weekly—outstripped the general market by more than 3 to 1.

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The firm ended 1949 with nothing owed to banks, with inventories $10,228,000 lower than at the end of 1948 and with current assets of $38,966,057 and current liabilities of $7,028,812, a 5.54 to 1 ratio.

The above figures are on a consolidated basis and include operating results of MacLeod's Ltd., a Canadian merchandising subsidiary, and Solar Corporation, the manufacturing subsidiary.

At year-end the company owned and operated 511 retail stores, seven less than a year ago, and sold at wholesale to 1882 authorized dealers, 109 dealerships more than in December 1948.

The company sells broad lines of consumers' goods through its Gamble Stores in the mid-continent States, Gambles - Western Stores in the mountain and Pacific Coast States and Hawaii, and MacLeod Stores in Canada.

Dividends of 60¢ per share were paid in 1949 and last payment was on July 30.

Elliott Company

I am interested in Elliott Company. Please submit data on the order backlog, net income and dividends.

E. D. Cincinnati, Ohio

Elliott Company reported for the year ended December 31, 1949, net income of $3,057,141, equal after preferred dividend to $6.97 per share on 415,497 shares of common stock outstanding at the end of the year. This compared with net income of $2,775,491 in 1948 or $7.17 per share on 354,435 shares of common stock then outstanding. Net sales for the year amounted to $26,283,076 against $27,315,597 in 1948. The company is a leading manufacturer of steam and gas turbines, electric generators and motors, and other types of heavy industrial power plant equipment.

At the year-end, total current assets were $16,271,954 and total current liabilities were $5,735,413. Working capital of $10,536,541 was approximately $778,000 less than a year earlier, the decline representing in part the cash required for the company's purchase of the Crocker-Wheeler Division in September 1949. With this acquisition, Elliott Company extended the size range of its line of rotating electrical equipment down to one horsepower.

Orders received in 1949 were $18,981,284 against $25,522,917 in 1948. The backlog of orders on December 31, 1949 amounted to approximately $21,500,000. The decline in orders was attributable to the completion of postwar expansion and rehabilitation programs in many industries and the national decline in business during the year.

Since the beginning of 1949, the company introduced improved lines of strainers, steam jet ejectors, and turbochargers and new lines of outdoor splashproof motors, brake motors and totally enclosed fan cooled motors.

Dividends including extras totaled $1.75 a share in 1949 and 25¢ was paid in the first quarter of the current year.

For the quarter ended March 31, 1950, net income was $443,507, equal to 95¢ a share on 425,179 shares, compared with $762,887 or $1.99 per share for the first quarter of 1949 on the 354,436 shares of common stock then outstanding. The backlog of orders on March 31, last, amounted to $19,300,000.

Realities of Market Action vs. Dow Averages

(*Continued from page* 131)

low. Perhaps it proves nothing to note that our index of 325 stocks is 22% under its 1946 top, although total corporate earnings, projected at the first quarter rate, are about 30% greater than in 1946, while total annual dividends are estimated at a level about 45% above that of 1946. Such figuring merely suggests that typical stocks are much cheaper than they were at the 1946 high. You can also prove that stocks are even cheaper, in comparison with the 1929 high. The only thing wrong with this is that stocks were too high, by much, at the 1946 and 1929 highs. Proof of that is the fact that they "fell out of bed" from those peaks. We do not know what a "normal" market level is; but it stands to reason that when average stock yields are less than 3.5%, as at the 1946 high, prices must be in an abnormal zone. It seems to the writer that yields under 4.5% to 5.5% on an average, are just not enough to compensate for the basic risk in equity investments in this era of "cold war" and of Left-of-Center government at Washington. However, the market did get to a yield basis of a little under 5% at the 1948 recovery high; and might do as well or better on this advance. Certainly an average yield basis of 5% or 5½%, roughly double that on high-grade bonds, would seem nearer "normal" than 3.5% or less, as at major market tops heretofore, or than the present prevailing average around 6.5%. From this perspective, there might be leeway for an appreciable additional market advance.

On the other hand, you never know when something out of Moscow—or Washington—might rock the boat, making all "figuring" on stock values more or less besides the point. That is one reason we have not been too enthusiastic about this market advance, and continue to keep our fingers crossed.

Generalizations Have Limited Usefulness

As a final word, over-all generalizations about the market, or anything relating to stock values, have limited usefulness; and might even be misleading. Thus, on a realistic basis — excluding inventory profits and losses, which always cancel out over a period of time—total corporate profits last year closely approximated those of 1948. But industries with lower earnings exceeded those with higher earnings by nearly two to one; and results ranged all the way between a gain of about 41% for auto makers to a fall of about 53% for textile and apparel makers. Results were highly mixed for the first quarter, and will be for the year.

Still a Market of Stocks

It will remain, in short, a market of stocks. On recent days, with the "average" down, a number of stocks set new highs for the year or longer. On recent days, also, with the "average" up, a number of stocks sank to new lows for the year or longer. To emphasize the wide variations within the market is the purpose of the special tabulation accompanying this discussion. A carefully selective, and generally conservative, investment policy probably will work out best.

—Monday, May 1.

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